

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2009
WITH
INDEPENDENT AUDITORS' REPORT

 KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT**

**TABLE OF CONTENTS
Year Ended June 30, 2009**

INTRODUCTORY SECTION

Title Page	
Official Roster	iii
Table of Contents	v

FINANCIAL SECTION

Independent Auditors' Report	5
Management's Discussion and Analysis	9
Basic Financial Statements:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to financial statements	17
Supplemental Information:	
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual (Non-GAAP Basis Budgetary Basis): Proprietary Fund	26
Schedule of Pledged Collateral	27
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	31
Schedule of prior year audit findings	34
Schedule of Findings	35
Required Disclosure	39

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2009

Board of Directors

Carroll Crawford	Board Chairman
Ben Prado	Board Member
Kim Martinez	Board Member

Administrative Employees

Karen Barrera	Office Coordinator
Loveka McDonald	Administrative Assistant

Field Employees

Michael Meidinger	Systems Operator
Kelly Smith	Assistant Systems Operator

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2009

JULY 1, 2008 THROUGH JUNE 30, 2009

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor, and
The Board of Directors of
Bloomfield Irrigation District

We have audited the accompanying financial statements of the business-type activities of Bloomfield Irrigation District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Bloomfield Irrigation District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bloomfield Irrigation District as of June 30, 2009, and the respective changes in financial position and cash flows of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above presents fairly, in all material respects the budgetary comparison of the District as of and for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 2009, on our consideration of the Bloomfield Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

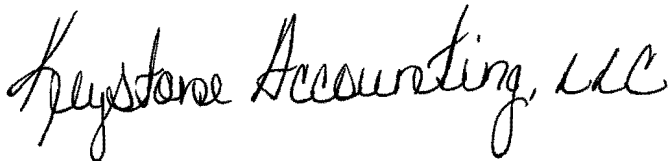
keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

Hector H. Balderas, State Auditor, and
The Board of Directors of
Bloomfield Irrigation District

The management's discussion and analysis information on pages 9 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. As a result of such limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with accounting principles generally accepted in the United States of America because it does not present an analysis of significant changes from the previous year or an analysis of significant variances in individual funds.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bloomfield Irrigation District, basic financial statements, and the budgetary comparison statements. The accompanying supplemental schedule of pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statement. The Supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009.

USING THIS ANNUAL REPORT

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the District.

Managers Notes:

1. FINANCIAL HIGHLIGHTS

- Ad Valorem taxes are not assessed by the District only special levy fees and service fees assessed or collected by the District.
- Ditch Repairs and Maintenance expenditures amounted to \$108,700.00, an increase from the prior year of \$70,891.00 due to ditch bank/ siphon repair and extensive canal cleaning from Blanco to Bloomfield to improve water flow for delivery to irrigation, industrial, and domestic users.
- BID Internal controls for financial reporting initiated for the Chairman and Office Coordinator to review the continuing internal controls of financial reports and documents to identify errors or deficiencies for financial matters. Board Policy does not permit District records to leave the office. No local CPA's have agreed to conduct financial review and posting actions in the B.I.D. office.
- Board stipends for 2008 were reported on a 1099 to correctly report any income tax due to the government.

2. Ditch maintenance Highlights for Reliability.

- a. Backup offsite for disc storage continues.
- b. Equipment inventory was updated to reflect new purchases
- c. Restored ditch bank erosion at Blanco Elementary School, Martinez, XTO, Morningstar, and Saiz lane to repair erosion/ or leaks.
- d. Replace/ required head gates for Mary Hayes, Z Galloway, Ken Hare, Stevens / McCowan, Songbird Meadows, Dr Hall, Brad Magee, City of Bloomfield (Wetlands), Jack Scott, Joe Florez, Eric Hirengen, et.al.
- e. Repaired Morningstar siphon inlet ditch break
- f. Adjusted fourteen (14) oversized head gates to prevent impairment to other water users.
- g. Removed three (3) pumps unauthorized to use ditch water.
- h. Removed seven (7) open pipes from ditch bank.

3. Water Transportation Agreements.

Implemented water transportation rate increase for Enterprise, Animas Valley Land & Water Co, City Wetlands, and Conoco.

4. Personnel

- a. Provided increased compensation for all employees.
- b. Emphasize safety in field and office. Initiated compiling a safety policy book.
- c. Agreed to provide a Whole Life Insurance Policy (\$25,000.00) for employees as a necessary benefit.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

5. Water Actions
 - a. Operated the Water Bank to provide protection for not putting water to beneficial use for a variety of defenses.
 - b. Increased first 1.09 Acre special levy fee from \$50 to \$55 to compensate for increased maintenance and operational costs.

6. Legal and Professional fees made significant increases due to the following:
 - a. Increased adjudication court briefs required to be filed to protect irrigation water rights.
 - b. Increased research to determine shareholders water rights for assessment.

7. Office of the State Auditors Rules

The Districts 2009- 2010 budget amount of \$410,604.24 for 2009-2010 Budget year falls below the \$500,000.00 threshold limit effecting requirements for audit requirements for the Districts classification.

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the Districts assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the District's net assets and how they have changed.

Proprietary Fund Financial Statements

The proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Budgetary Comparisons

The proprietary fund presents a schedule that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis.


As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$704,480 at the close of the most recent fiscal year.

An analysis of fiscal year 2009 follows:

	Net Assets <u>2009</u>	Net Assets <u>2008</u>
Assets:		
Current assets	\$ 364,181	\$ 400,285
Net property and equipment	<u>340,299</u>	<u>364,412</u>
Total assets	<u><u>764,697</u></u>	<u><u>764,697</u></u>
Liabilities		
Current liabilities	<u>17,865</u>	<u>17,907</u>
Net Assets		
Unrestricted	<u><u>\$ 686,615</u></u>	<u><u>\$ 746,790</u></u>
Changes in Net Assets		
Program revenue charges for services	\$ 177,723	\$ 199,841
General revenues	213,056	209,219
Interest income	<u>2,715</u>	<u>7,801</u>
Total revenues	393,494	416,861
Expenditures - Irrigation	<u>453,669</u>	<u>377,206</u>
Change in net assets	(60,175)	39,655
Net assets - beginning	<u>746,790</u>	<u>707,135</u>
Net assets - ending	<u><u>\$ 686,615</u></u>	<u><u>\$ 746,790</u></u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Bloomfield Irrigation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to the Bloomfield Irrigation District Chairman, P.O. box 606, Bloomfield, NM 87413.


Bd. Chairman—Carroll Crawford

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 356,770
Accounts receivable	7,411
	<hr/>
Total current assets	364,181

Noncurrent assets:

Capital assets:

Irrigation system	723,966
Equipment	160,561
Less: accumulated depreciation	(811,262)

Intangibles:

Water rights	267,034
	<hr/>
Total noncurrent assets	340,299

Total assets	\$ 704,480
--------------	------------

LIABILITIES

Current liabilities:

Accounts payable	\$ 7,503
Accrued payroll	6,827
Compensated absences	3,535
	<hr/>
Total liabilities	17,865

NET ASSETS

Invested in capital assets	340,299
Unrestricted	346,316
	<hr/>
Total net assets	686,615
	<hr/>
Total liabilities and net assets	\$ 704,480

See accompanying notes.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year ended June 30, 2009

Operating revenue:	
Water sales	\$ 177,723
Special assessment fees	<u>213,056</u>
Total operating revenue	<u>390,779</u>
Operating expenses:	
Salaries and benefits	163,053
Travel	4,526
Office expense	25,399
Repairs and maintenance	126,096
Equipment rental	36,778
Insurance	15,027
Legal and professional	58,028
Miscellaneous	649
Depreciation	<u>24,113</u>
Total operating expenses	<u>453,669</u>
Operating income (loss)	(62,890)
Non-Operating income (expenses):	
Interest income	<u>2,715</u>
Change in net assets	(60,175)
Net assets beginning of year	<u>746,790</u>
Net assets end of year	<u>\$ 686,615</u>

See accompanying notes.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year ended June 30, 2009

CASH FLOWS FROM OPERATING

ACTIVITIES

Cash received from customers	\$	391,674
Cash payments to employees		(162,292)
Cash payments for supplies and maintenance		<u>(251,408)</u>

Net cash Provided by (used in) operating activities (22,026)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	<u>3,217</u>
---------------------------------	--------------

Net increase (decrease) in cash and cash equivalents (18,809)

Cash and cash equivalents at beginning of year	<u>375,579</u>
--	----------------

Cash and cash equivalents at end of year	<u>\$ 356,770</u>
--	-------------------

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES

Operating income	\$	<u>(62,890)</u>
------------------	----	-----------------

Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation expense	24,113
----------------------	--------

(Increase) decrease in:

Customer receivables	895
----------------------	-----

Prepaid expenses	15,898
------------------	--------

Increase (decrease) in:

Accounts payable	(803)
------------------	-------

Accrued liabilities	481
---------------------	-----

Compensated absences	<u>280</u>
----------------------	------------

Total adjustments	<u>40,864</u>
-------------------	---------------

Net cash Provided by (used in) operating activities	\$	<u>(22,026)</u>
---	----	-----------------

See accompanying notes.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Bloomfield Irrigation District (District) is a special purpose government corporation governed by an elected three-member Board of Directors. The Board of Directors is the base level of government, which has oversight responsibility and control over the delivery of irrigation water to land owners and municipalities located within Bloomfield, New Mexico and the surrounding communities. The District receives funding from special assessment fee and user charges.

The District's financial statements include all financial information over which the Board of Directors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units were included in the financial statements.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Bloomfield Irrigation District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Special assessment fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government uses a proprietary fund to record all of its transactions.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenue of the District enterprise fund is charges to customers for sales and services. Operating expense for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. *Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit 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 for the District must follow the above investment policies.

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

The rate of interest on 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 deposit.

Excess of 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.

Investments for the District are reported at fair value.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets or Equity (continued)

2. *Accounts Receivable*

The accounts receivable reported in the Statement of Net Assets are considered fully collectible and an allowance for doubtful accounts has not been recorded. Receivables are recognized when services are rendered and revenue has been earned.

3. *Capital assets*

The District's policy is to capitalize all disbursements for equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. The District's assets have the following estimated useful lives:

	<u>Years</u>
Irrigation system	10-30
Equipment	5-15

Water rights of \$267,034 are not depreciated or amortized because water rights reflect renewable resources that do not deplete through use or deterioration. The District evaluates the water rights each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

4. *Compensated absences*

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. Employees that work at least 20 hours a week are entitled to 5 days vacation after the first year of employment and 10 days vacation after the second year. Vacation days may not accrue from one year to the next without the prior approval with a maximum of 20 days and is accrued when incurred. The cost of earned but unpaid vacation leave is normally recognized in proprietary funds when the benefit vests to the employee and becomes a legal liability to the District. The District allows employees to take their leave prior to the end of the calendar year following the year in which leave is earned.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets or Equity (continued)

5. *Special Assessments Fees*

Irrigation water users pay a special levy based on the number of irrigated acres; \$50 for the first acre or portion of acre, and \$20 per acre for each additional acre. Special assessment fees assessed on the first of November of each year. San Juan County collects the taxes and remits them to the District on a monthly basis. The property owner's taxes are payable to San Juan County in two installments on December 10, and May 10 of each year.

6. *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget for the Proprietary Fund is prepared by management and approved by the Board of Directors and the State Department of Finance and Administration.

This budget is prepared on the Non-GAAP cash basis, excluding encumbrances, and secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Directors approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from State Department of Finance and Administration.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April, the management submits to the Board of Directors a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has been approved by the State Department of Finance and Administration.
2. In July, the budget is approved by the Board of Directors.
3. The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The management is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors and the State Department of Finance and Administration must approve revisions that alter the total expenditure of the Proprietary Fund.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget for the Proprietary Fund is adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Directors may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending balances. The appropriated budget for the year ended June 30, 2009 was properly amended by the Board through the year. These amendments resulted in the following changes:

	Original <u>Budget</u>	Final <u>Budget</u>
Proprietary Fund	\$ <u>399,624</u>	\$ <u>434,274</u>

**STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2009, the carrying amount of the District's deposits was \$356,620 and the bank balance was \$357,089. Of this balance \$357,089 was covered by federal depository insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2009, the District's did not have any bank balances exposed to custodial risk as follows:

	<u>Citizens Bank</u>	<u>Four Corners Community Bank</u>	<u>Bank of America</u>	<u>Bank of the Southwest</u>	<u>First Federal</u>
Cash on deposit	\$ 33,667	\$ 41,312	\$ 73,185	\$ 58,136	\$ 82,995
Certificates of deposit	59,998	-	-	-	-
Money market account	7,796	-	-	-	-
FDIC coverage	<u>(101,461)</u>	<u>(41,312)</u>	<u>(73,185)</u>	<u>(58,136)</u>	<u>(82,995)</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the investments will change due to changes in the rate of interest applied to those investments. The District's fair values of investments are not affected by changes in interest rates.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables as of year-end for the District are as follows:

	<u>General</u>
Receivables:	
Accounts receivable	\$ <u>7,411</u>

Allowance for doubtful accounts has not been estimated by management due to anticipation of full collection.

C. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities:				
Capital assets, not being depreciated:				
Water rights	\$ 267,034	\$ -	\$ -	\$ 267,034
Capital assets, being depreciated:				
Irrigation system	723,966	-	-	723,966
Equipment	160,561	-	-	160,561
Total capital assets being depreciated	884,527	-	-	884,527
Less accumulated depreciation for:				
Irrigation system	(645,095)	(20,040)	-	(665,135)
Equipment	(142,054)	(4,073)	-	(146,127)
Total accumulated depreciation	(787,149)	(24,113)	-	(811,262)
Total capital assets being depreciated, net	\$ 97,378	\$ (24,113)	\$ -	\$ 73,265

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Liabilities

Changes in Liabilities

During the year ended June 30, 2009 the following changes occurred in liabilities reported in the Statement of Net Assets:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Ending</u>	<u>Amount Due</u> <u>Within One Year</u>
Compensated absences:					
Compensated vacation	\$ 3,255	\$ 3,717	\$ 3,437	\$ 3,535	\$ 3,535

The liability of compensated absences is liquidated with resources from the unrestricted net assets.

IV. ACCRUED LIABILITIES

Accrued liabilities for the year ended June 30, 2009 was as follows:

Salaries	\$ 3,765
Tax withholdings	<u>3,062</u>
	<u>\$ 6,827</u>

V. CONTINGENCIES

A. Adjudication

Water rights for water that flows through the District's irrigation system are being reviewed for possible reallocation of those water rights according to user needs. This action has the potential to affect the revenues of the District. The District has taken action to assist water users in retaining their current share of water rights. The extent of any potential effects from these actions cannot be foreseen or estimated at this time.

B. Retained Risk of Loss

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for all risks. Settlement of claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		(Negative)
Operating revenue:				
Water sales	\$ 183,654	\$ 183,654	\$ 177,771	\$ (5,883)
Ad valorem taxes	<u>213,500</u>	<u>213,500</u>	<u>213,056</u>	<u>(444)</u>
 Total operating revenue	 <u>397,154</u>	 <u>397,154</u>	 <u>390,827</u>	 <u>(6,327)</u>
Operating expenses:				
Salaries and benefits	158,250	162,200	162,193	7
Travel	6,100	5,200	4,457	743
Office expense	32,000	24,000	24,494	(494)
Repairs and maintenance	105,000	127,250	124,807	2,443
Equipment rental	24,000	36,600	36,736	(136)
Insurance	21,100	21,100	(871)	21,971
Legal and professional	51,674	55,824	52,872	2,952
Miscellaneous	<u>1,500</u>	<u>2,100</u>	<u>651</u>	<u>1,449</u>
 Total operating expenses	 <u>399,624</u>	 <u>434,274</u>	 <u>405,339</u>	 <u>28,935</u>
 Income from operations	 (2,470)	 (37,120)	 (14,512)	 22,608
Non-Operating income (expenses)				
Interest income	<u>6,000</u>	<u>6,000</u>	<u>2,715</u>	<u>(3,285)</u>
 Net income (loss)	 3,530	 (31,120)	 (11,797)	 19,323
 Net assets beginning of year	 <u>(3,530)</u>	 <u>31,120</u>	 <u>746,790</u>	 <u>715,670</u>
 Net assets end of year	 <u>\$ -</u>	 <u>\$ -</u>	 734,993	 <u>\$ 734,993</u>
RECONCILIATION TO GAAP BASIS:				
Change in prepaid expense			(15,898)	
Change in payables			(7,506)	
Changes in accrued liabilities			(861)	
Depreciation			<u>(24,113)</u>	
			 <u>\$ 686,615</u>	

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2009

	<u>Citizens Bank</u>	<u>Four Corners Community Bank</u>	<u>Bank of America</u>	<u>Bank of the Southwest</u>	<u>First Federal</u>	<u>Total</u>
Cash on deposit	\$ 101,461	\$ 41,312	\$ 73,185	\$ 58,136	\$ 82,995	\$ 357,089
Less FDIC Coverage	<u>(101,461)</u>	<u>(41,312)</u>	<u>(73,185)</u>	<u>(58,136)</u>	<u>(82,995)</u>	<u>(357,089)</u>
Total uninsured funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Operating	Checking	Citizens Bank	\$ 33,667
Savings Business	Savings	Citizens Bank	7,796
Savings Business	CD	Citizens Bank	59,998
Operating	Savings	Bank of America	73,185
Savings Business	Savings	Four Corners Community Bank	41,312
Savings Business	CD	Bank of the Southwest	58,136
Savings Business	CD	First Federal Bank	82,995
Total			<u>\$ 357,089</u>

Adjustments to cash:		
Bank Balance		\$ 357,089
Cash on hand		150
Reconciling items		<u>(469)</u>
Total adjustment to cash		<u>\$ 356,770</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**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**

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

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

Hector H. Balderas, State Auditor
and the Board of Directors of
Bloomfield Irrigation District

We have audited the financial statements of the business-type activities of the Bloomfield Irrigation District, as of and for the year ended June 30, 2009, which collectively comprise the Bloomfield Irrigation District's basic financial statements and have issued our report thereon dated September 18, 2009. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bloomfield Irrigation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bloomfield Irrigation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bloomfield Irrigation District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bloomfield Irrigation District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bloomfield Irrigation District's financial statements that is more than inconsequential will not be prevented or detected by the Bloomfield Irrigation District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bloomfield Irrigation District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We noted no matters involving internal control over financial reporting and its operations that we consider to be material.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

Hector H. Balderas, State Auditor
and the Board of Directors of
Bloomfield Irrigation District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bloomfield Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are describe in the accompanying schedule of findings as item 2009-1 and 2009 - 2.

The District responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Districts response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC

September 18, 2009

AUDIT FINDINGS

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
Year Ended June 30, 2008

PRIOR YEAR AUDIT FINDINGS

2008-1. FAILURE TO REPORT INCOME TO BOARD MEMBERS FOR BOARD STIPENDS

Condition: The board members are receiving a monthly stipend for services they provide, and the income is not reported on a 1099 to the IRS as other income.

Recommendation: The District needs to give each of the board members a 1099 for the gratuities.

Current status: Resolved, not repeated in the current year.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

CURRENT YEAR AUDIT FINDINGS

2009-1.FINANCIAL STATEMENT PREPARATION

Condition: The financial statements were prepared by the auditor.

Criteria: Management is required to have an internal control system of financial reporting including the preparation of the financial statements.

Effect of condition: Management's ability to ascertain the accuracy and completeness of the financial statements has been diminished.

Recommendation: Management should develop a plan and system of controls that enable them to review the accuracy and completeness of the financial statements.

Management's response: Management is in the process of establishing internal controls to correct this matter.

2009-2 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal year end:

General Fund	Office Expense	\$	494
General Fund	Equipment Rental		136

Criteria: According to 6-6-6 NMSA 1978 all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Effect of Condition: Violation of 6-6-6 NMSA 1978, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Directors and State Department of Finance (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management Response: All expenditure balances will be reviewed and monitored by line item to maintain a current analysis of actual versus approved budgeted amounts.