

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2014
WITH
INDEPENDENT AUDITORS' REPORT



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

OFFICIAL ROSTER

June 30, 2014

Board of Directors

Kim Martinez	Board Chairman / Manager
Leonard Trujillo	Board Member
Andrew Dean	Board Member

Administrative Employees

Stacy Dodd	Office Coordinator
Karen Steele	Administrative Assistant

Field Employees

Michael Meidinger	Systems Operator
Harold Chamberlain	Assistant Systems Operator

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

TABLE OF CONTENTS
Year Ended June 30, 2014

	Page
INTRODUCTORY SECTION	
Title Page	
Official Roster	iii
Table of Contents	v
 FINANCIAL SECTION	
Independent Auditor's Report	5
Management's Discussion and Analysis	9
Basic Financial Statements:	
Statement of Net Assets – Proprietary Fund	12
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Notes to Financial Statements	15
Other Supplemental Information:	
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual (Non-GAAP Basis Budgetary Basis): Proprietary Fund	24
Schedule of Pledged Collateral	25
 COMPLIANCE SECTION	
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	29
Schedule of Findings and responses	31
Schedule of Prior Year Audit Findings and Responses	32
 REQUIRED DISCLOSURE	
	33

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2014

JULY 1, 2013 THROUGH JUNE 30, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued my report dated July 25, 2014 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 in considering the Bloomfield Irrigation District's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, NM
July 25, 2014

MANAGEMENT'S
DISCUSSION AND ANALYSIS

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014.

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.

Coordinators 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 \$66,442.17, an increase from the prior year of \$36,760.12 due to rental of maintenance equipment to defray cost on large maintenance jobs and fixing a washout of a spillgate.
- Purchased land with building for a permanent location for office and equipment.
- Review County Treasures report on unpaid balances for "no water" notifications.
- BID continued 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 as well as State Law 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 2013 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. Ongoing Progress on clearing ditch banks, and Cleargate has been used again to eliminate pond weed on upper BID ditch above city reservoir.

3. Water Transportation Agreements.

No change in rates for City of Bloomfield or Enterprise and other industrial users for water transportation.

4. Personnel

- a. Provided increased compensation for all regular employees.
- b. Emphasize safety in field and office. Continued compiling a safety policy book and updated the Safety Data Sheets.
- c. Continued a Whole Life Insurance Policy (\$25,000.00) for employees as a necessary benefit.

5. Water Actions

- a. Operated the Water Bank to provide protection for not putting water to beneficial use for a variety of defenses.

6. Legal fees remained the same compared to previous year fees:

- a. Costs on a per acre basis shared with San Juan Agriculture

7. Debt

November 2013 Purchased 1.0 acres of land with .25 acres of water rights and two structures for operations in the amount of \$220,000. A mortgage was taken out in the amount of \$177,869.75 at 5.250%. Loan balance at end of 2013-2014 fiscal year was \$169,555.00.

8. Office of the State Auditors Rules

The Districts 2013- 2014 budget amount of \$494,650.00 for 2013-2014 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.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 388,928
Accounts receivable	8,356
Due from other government	<u>11,094</u>
Total current assets	<u>408,378</u>

Noncurrent assets:

Land	114,033
Buildings and improvements	118,768
Irrigation system	730,815
Equipment	158,523
Less: accumulated depreciation	(858,977)
Water rights	<u>268,648</u>
Total noncurrent assets	<u>531,810</u>
Total assets	<u>\$ 940,188</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 1,595
Accrued payroll	4,813
Compensated absences	3,446
Accrued interest payable	765
Loans payable	<u>5,331</u>
Total current liabilities	15,950

Noncurrent liabilities:

Loans payable (less current portion)	<u>169,555</u>
Total liabilities	<u>185,505</u>

NET POSITION

Net investment in capital assets	356,924
Unrestricted	<u>397,759</u>
Total net position	<u>754,683</u>
Total liabilities and net position	<u>\$ 940,188</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year ended June 30, 2014

Operating revenue:	
Water sales	\$ 184,825
Special assessment fees	<u>234,785</u>
Total operating revenue	<u>419,610</u>
Operating expenses:	
Salaries and benefits	171,214
Travel	7,912
Office expense	24,046
Repairs and maintenance	62,221
Equipment rental	24,195
Insurance	18,061
Legal and professional	45,089
Miscellaneous	7,584
Depreciation	<u>25,293</u>
Total operating expenses	<u>385,615</u>
Operating income (loss)	<u>33,995</u>
Non-Operating income (expenses):	
Interest income	236
Interest expense	<u>(6,173)</u>
Total nonoperating revenues (expenses)	<u>(5,937)</u>
Change in net position	28,058
Net position - beginning	<u>726,625</u>
Net position - ending	<u><u>\$ 754,683</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2014

CASH FLOWS FROM OPERATING

ACTIVITIES

Cash received from customers	\$	426,580
Cash payments to employees		(176,650)
Cash payments for supplies and maintenance		(190,452)
		59,478
Net cash provided by operating activities		59,478

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Proceeds from mortgage		177,870
Purchases of capital assets		(239,650)
Principal paid on debt		(2,984)
Interest paid on debt		(5,408)
		(70,172)
Net cash provided by (used in) capital and related financing activities		(70,172)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received		236
Net increase (decrease) in cash and cash equivalents		(10,458)
Cash and cash equivalents at beginning of year		399,386
Cash and cash equivalents at end of year	\$	388,928

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

Operating income		\$ 33,995
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		25,293
(Increase) decrease in:		
Customer receivables		1,422
Due from other governments		5,548
Increase (decrease) in:		
Accounts payable		(1,344)
Accrued liabilities		(5,051)
Compensated absences		(385)
		25,483
Total adjustments		25,483
Net cash provided by operating activities	\$	59,478

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	16
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	16
C. Assets, Liabilities, and Net Assets or Equity	17
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	19
III. DETAILED NOTES ON ALL FUNDS	
A. Cash and Temporary Investments	20
B. Receivables	20
C. Capital Assets	21
D. Liabilities	21
IV. CONTINGENCIES	
A. Adjudication	22
B. Retained Risk of Loss	22

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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.

GAAP requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity and GASB Statement No. 89, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

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

During fiscal year 2014, Bloomfield Irrigation District adopted the following GASB Statements:

- GASB 66, *Technical Corrections: an amendment to GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This Statement will be effective for the year ended June 30, 2014.
- GASB 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement will be effective for the year ended June 30, 2014.
- GASB 70, *Accounting and Financial Reporting for Nonexchange Financial*, the requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement will be effective for the year ended June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

Other accounting standards that Bloomfield Irrigation District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This Statement will be effective for the year ended June 30, 2015.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which distinguishes between a government merger and a government acquisition and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will be effective for the year ended June 30, 2015.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68)*, improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement will be effective at the implementation of GASB 68.

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.

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.

C. Assets, Liabilities, and Net Position or Equity

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 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Assets, Liabilities, and Net Position or Equity (cont'd)

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.

2. *Accounts Receivable*

The accounts receivable reported in the Statement of Net Assets and an allowance for doubtful accounts has 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>
Buildings and improvements	20-40
Irrigation system	10-30
Equipment	5-15

Water rights of \$268,648 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 of vacation after the first year of employment and 10 days of 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.

5. *Special Assessments Fees*

Irrigation water users pay a special levy based on the number of irrigated acres; \$57 for the first acre or portion of acre, and \$25 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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, 2014 was properly amended by the Board through the year. These amendments resulted in the following changes:

Original <u>Budget</u>	Final <u>Budget</u>
\$ 441,650	\$ 494,650

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2014, the carrying amount of the District's deposits was \$388,678 and the bank balance was \$392,769 of this balance \$392,769 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, 2014, 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>Washington Federal</u>
Cash on deposit	\$ 24,463	\$ 71,308	\$ 69,330	\$ 69,350	\$ -
Certificates of deposit	60,081	-	-	-	-
Money market account	3,100	-	-	8,005	87,132
FDIC coverage	<u>(87,644)</u>	<u>(71,308)</u>	<u>(69,330)</u>	<u>(77,355)</u>	<u>(87,132)</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.

B. Receivables

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

	<u>General</u>
Receivables:	
Accounts receivable	\$ 9,591
Deposits	100
Allowance for doubtful	<u>(1,335)</u>
Total	<u>\$ 8,356</u>

Allowance for doubtful accounts has been estimated by management.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS (cont'd)

C. Capital Assets

Capital assets activity for the year ended June 30, 2014 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:				
Land	\$ -	\$ 114,033	\$ -	\$ 114,033
Water rights	268,648	-	-	268,648
Total capital assets, not being depreciated	<u>268,648</u>	<u>114,033</u>	<u>-</u>	<u>382,681</u>
Capital assets, being depreciated:				
Building and improvements	-	118,768	-	118,768
Irrigation system	723,966	6,849	-	730,815
Land improvements	-	-	-	-
Equipment	158,523	-	-	158,523
Total capital assets being depreciated	<u>882,489</u>	<u>125,617</u>	<u>-</u>	<u>1,008,106</u>
Less accumulated depreciation for:				
Building and improvements	-	(2,360)	-	(2,360)
Irrigation system	(710,347)	(13,886)	-	(724,233)
Equipment	(123,337)	(9,047)	-	(132,384)
Total accumulated depreciation	<u>(833,684)</u>	<u>(25,293)</u>	<u>-</u>	<u>(858,977)</u>
Total capital assets being depreciated, net	<u>48,805</u>	<u>100,324</u>	<u>-</u>	<u>149,129</u>
Business type activities capital assets, net	<u>\$ 317,453</u>	<u>\$ 214,357</u>	<u>\$ -</u>	<u>\$ 531,810</u>

D. Liabilities

Accrued Payroll

Accrued liabilities for the year ended June 30, 2014 was as follows:

Tax withholdings \$ 4,813

Loans Payable

The District entered into a loan agreement with Citizens Bank of Farmington on November 26, 2013 for \$177,870 with 5.25% interest. The proceeds from the loan were used for the purchase of land and buildings. The loan payments began December 26, 2013 with the loan maturing on November 26, 2033.

<u>Loan Agreements</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance</u>	<u>Amount Due Within One Year</u>
November 26, 2013	<u>\$ 177,870</u>	5.25%	<u>\$ 174,886</u>	<u>\$ 5,331</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

III. DETAILED NOTES ON ALL FUNDS (cont'd)

B. Liabilities (cont'd)

Annual debt service requirements to maturity for the loan payable are as follows:

Loan Agreements					
Year Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
				<u>Requirements</u>	
2015	\$	5,331	\$	9,054	\$ 14,385
2016		5,618		8,768	14,386
2017		5,920		8,466	14,386
2018		6,238		8,147	14,385
2019		6,574		7,812	14,386
2020 - 2024		38,569		33,359	71,928
2025 - 2029		50,117		21,810	71,927
2030 - 2034		56,519		6,917	63,436
Total	\$	174,886	\$	104,333	\$ 279,219

Changes in long term debt – During the year ended June 30, 2014 the following changes occurred in liabilities reported in the general obligation bonds account group:

	Beginning			Ending	Amount Due
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Within One Year</u>
Compensated absences:					
Compensated vacation	\$ 3,831	\$ 5,474	\$ 5,859	\$ 3,446	\$ 3,446
Loan agreement	-	177,870	2,983	174,887	5,331
	\$ 3,831	\$ 183,344	\$ 8,842	\$ 178,333	\$ 8,777

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

IV. 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.

C. Subsequent Events

Subsequent events were evaluated through July 25, 2014, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating revenue:				
Water sales	\$ 186,855	\$ 186,855	\$ 184,825	\$ (2,030)
Ad valorem taxes	245,000	245,000	240,334	(4,666)
Total operating revenue	431,855	431,855	425,159	(6,696)
Operating expenses:				
Salaries and benefits	193,300	186,000	178,673	7,327
Travel	12,000	8,000	7,912	88
Office expense	27,000	105,500	93,746	11,754
Repairs and maintenance	55,000	72,050	66,442	5,608
Equipment rental	35,000	30,000	22,956	7,044
Insurance	19,750	18,500	18,061	439
Legal and professional	88,600	66,100	40,985	25,115
Miscellaneous	11,000	8,500	7,584	916
Total operating expenses	441,650	494,650	436,359	58,291
Income from operations	(9,795)	(62,795)	(11,200)	51,595
Non-Operating income (expenses)				
Interest income	500	500	236	(264)
Net income (loss)	(9,295)	(62,295)	(10,964)	51,331
Beginning cash balance budgeted	9,295	62,295	-	(62,295)
Net assets beginning of year	-	-	726,625	726,625
Net assets end of year	\$ -	\$ -	715,661	\$ 715,661
RECONCILIATION TO GAAP BASIS:				
Change in property and equipment			214,357	
Change in taxes receivable			(5,549)	
Change in payables			5,865	
Change in accrued interest			(765)	
Changes in non-current liabilities			(174,886)	
			\$ 754,683	

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2014

		<u>Citizens Bank</u>		<u>Four Corners Community Bank</u>		<u>Bank of America</u>		<u>Bank of the Southwest</u>		<u>Washington Federal</u>		Total
Cash on deposit	\$	87,644	\$	71,308	\$	69,330	\$	77,355	\$	87,132	\$	392,769
Less FDIC Coverage		<u>(87,644)</u>		<u>(71,308)</u>		<u>(69,330)</u>		<u>(77,355)</u>		<u>(87,132)</u>		<u>(392,769)</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	\$ 24,463
Savings Business	Savings	Citizens Bank	60,081
Savings Business	CD	Citizens Bank	3,100
Operating	Savings	Bank of America	69,330
Savings Business	Savings	Four Corners Community Bank	71,308
Operating	Checking	Bank of the Southwest	69,350
Savings Business	CD	Bank of the Southwest	8,005
Savings Business	CD	Washington Federal	<u>87,132</u>
Total			<u>\$ 392,769</u>

Adjustments to cash:		
Bank balance		\$ 392,769
Cash on hand		250
Reconciling items		<u>(4,091)</u>
Total adjustment to cash		<u>\$ 388,928</u>

THIS PAGE INTENTIONALLY LEFT BLANK

COMPLIANCE SECTION

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

Schedule of Findings and Responses

Summary Schedule of Prior Year Audit Findings

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

INDEPENDENT AUDITOR'S REPORT

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

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 Bloomfield Irrigation District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Bloomfield Irrigation District's basic financial statements, and related budgetary comparisons of Bloomfield Irrigation District presented as supplemental information, and have issued our report thereon dated July 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Bloomfield Irrigation Districts 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 Bloomfield Irrigation Districts internal control. Accordingly, we do not express an opinion on the effectiveness of Bloomfield Irrigation 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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 result 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.

Accounting & Financial Solutions, LLC
Farmington, NM
July 25, 2014



SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

Our audit did not disclose any findings that are required to be reported under Governmental Auditing Standards or New Mexico Audit Rule NMAC 2.2.2.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

I. RESOLVED

There were no findings to be reported from the prior year.

II. NOT RESOLVED

There were no findings to be reported from the prior year.

REQUIRED DISCLOSURES
YEAR ENDED JUNE 30, 2014

The financial statements were prepared by the independent public accountants.

An exit conference was held July 25, 2014, during which the audit findings were discussed. The exit conference was attended by the following individuals:

BLOOMFIELD IRRIGATION DISTRICT

Kim Martinez	Board of Directors / Manager
Stacy Dodd	Office Manager
Karen Steele	Administrative Assistant

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
-----------------	---------