

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015
WITH
INDEPENDENT AUDITORS' REPORT

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INTRODUCTORY SECTION

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TABLE OF CONTENTS

Year Ended June 30, 2015

INTRODUCTORY SECTION

- iii Table of Contents
- v Official Roster

FINANCIAL SECTION

- 5 Independent Auditors' Report
- 7 Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

- 12 Statement of Net Position – Proprietary Fund
- 13 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
- 14 Statement of Cash Flows – Proprietary Fund

Notes to the Financial Statements

- 15 Contents
- 16 Note I Summary of Significant Accounting Policies
- 19 Note II Stewardship, Compliance, and Accountability
- 20 Note III Detailed Notes On All Funds
- 22 Note IV Other Information

OTHER SUPPLEMENTAL INFORMATION:

- 24 Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual (Non-GAAP Budgetary Basis):
Proprietary Fund
- 25 Schedule of Pledged Collateral
- 26 Schedule of Vendor Information

COMPLIANCE SECTION

- 29 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 Findings and Responses
- 33 Summary Schedule of Prior Year Audit Findings
- 34 Required Disclosure

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OFFICIAL ROSTER

June 30, 2015

Board of Directors

Leonard Trujillo	Board Chairman
Andrew Dean	Board Member
Dale Archuleta	Board Member

Administrative Employees

Stacy Dodd	Office Coordinator
Karen Steele	Administrative Assistant

Field Employees

Michael Meidinger	Systems Operator
Harold Chamberlain	Assistant Systems Operator

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FINANCIAL SECTION

FISCAL YEAR 2015

JULY 1, 2014 THROUGH JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

Tim Keller, 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, 2015, 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, 2015, 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, 2015, 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.

Tim Keller, 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 August 28, 2015 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, New Mexico
August 28, 2015

MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015.

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 \$147,842.64, an increase from the prior year of \$81,400.70 due to a large ditch repair project labeled as "The 4599 Cliff Project" in the amount of \$90,361.16.
 - Negotiations began with the City of Bloomfield and Enterprise to enter into a new contract agreement at a higher rate.
 - 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 2014 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 Clearigate 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 variety of defenses.
6. Legal fees decreased compared to previous year fees due to the case sitting in appeals at this time requiring fewer assessments:
- 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 \$177,870 at 5.250%. Loan balance at end of 2014-2015 fiscal year was \$168,917.
8. Office of the State Auditors Rules
The Districts 2014- 2015 budget amount of \$494,300.00 for 2014-2015 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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.

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 \$834,763 at the close of the most recent fiscal year.

An analysis of fiscal year 2015 follows:

	Net Position <u>2014</u>	Net Position <u>2015</u>
Assets:		
Current assets	\$ 408,378	\$ 409,967
Net property and equipment	<u>531,810</u>	<u>606,652</u>
Total assets	<u>940,188</u>	<u>1,016,619</u>
Liabilities		
Current liabilities	15,950	18,277
Non- Current liabilities	169,555	163,299
Deferred rents	<u>-</u>	<u>280</u>
Net Assets		
Net investment in capital assets	356,924	437,735
Unrestricted	<u>\$ 397,759</u>	<u>\$ 397,028</u>
Changes in Net Position		
Program revenue charges		
for services	\$ 184,825	\$ 177,386
Rental Activity - housing	-	9,000
Interest income	236	288
Interest Expense	(6,173)	(9,239)
General revenues	<u>234,785</u>	<u>243,199</u>
Total revenues	413,673	420,634
Expenditures - Irrigation	<u>385,615</u>	<u>340,554</u>
Change in net assets	28,058	80,080
Net position - beginning	<u>726,625</u>	<u>754,683</u>
Net position - ending	<u>\$ 754,683</u>	<u>\$ 834,763</u>

Projected Revenues were (Budget 2014/2015) \$428,555.00.

Expenditures decreased (Budget 2013/2014) to \$340,555.00 due to no spring peak release was ordered by the BOR and there was no expense for property relocation. 2015-2016 will see a slight increase due to chemical for ditch bank maintenance and ditch pondweed requirements, and need for maintenance on numerous ditch infrastructures.

NEXT YEAR'S BUDGET

The District has increased its budget by \$5,200.00 in the next budget year (2015-2016) due to predicted increase in infrastructure maintenance and ditch bank cleaning of evasive weeds to increase water conservation and better flow.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

PROPRIETARY FUND
Statement of Net Position
 June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 391,910
Accounts receivable	5,146
Due from other government	<u>12,911</u>

Total current assets 409,967

Noncurrent assets:

Land	114,033
Buildings and improvements	118,768
Irrigation system	821,177
Equipment	158,523
Less: accumulated depreciation	(874,497)
Water rights	<u>268,648</u>

Total noncurrent assets 606,652

Total assets **\$ 1,016,619**

Liabilities, Deferred Inflows of Resources, and Net Position

Current liabilities:

Accounts payable	2,284
Accrued payroll	6,046
Compensated absences	3,333
Accrued interest payable	996
Loans payable	<u>5,618</u>

Total current liabilities 18,277

Noncurrent liabilities:

Loans payable (less current portion)	<u>163,299</u>
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Total liabilities 181,576

Deferred inflows of resources:

Deferred rents	<u>280</u>
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Net Position

Net investment in capital assets	437,735
Unrestricted	<u>397,028</u>

Total net position 834,763

Total liabilities, deferred inflows of resources, and net position **\$ 1,016,619**

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, 2015

Operating revenue:	
Water sales	\$ 177,386
Special assessment fees	243,199
Rental activity - housing	<u>9,000</u>
Total operating revenue	<u>429,585</u>
Operating expenses:	
Salaries and benefits	176,576
Travel	7,731
Office expense	23,870
Repairs and maintenance	57,273
Equipment rental	14,825
Insurance	17,922
Legal and professional	25,920
Miscellaneous	917
Depreciation	<u>15,520</u>
Total operating expenses	<u>340,554</u>
<i>Operating income (loss)</i>	89,031
Non-Operating income (expenses):	
Interest income	288
Interest expense	<u>(9,239)</u>
Total nonoperating revenues (expenses)	<u>(8,951)</u>
<i>Change in net position</i>	80,080
Net position - beginning	<u>754,683</u>
Net position - ending	<u><u>\$ 834,763</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, 2015

Cash Flows From Operating Activities	
Cash received from customers	\$ 431,258
Cash payments to employees	(175,456)
Cash payments for supplies and maintenance	<u>(147,769)</u>
Net cash provided by operating activities	<u>108,033</u>
 Cash Flows From Capital And Related Financing Activities	
Purchases of capital assets	(90,362)
Principal paid on debt	(5,969)
Interest paid on debt	<u>(9,008)</u>
Net cash used in capital and related financing activities	<u>(105,339)</u>
 Cash Flows From Investing Activities	
Interest and dividends received	<u>288</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	2,982
Cash and cash equivalents at beginning of the year	<u>388,928</u>
Cash and cash equivalents at end of the year	<u><u>\$ 391,910</u></u>
 Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	
Operating income	<u>\$ 89,031</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	15,520
(Increase) decrease in:	
Customer receivables	3,210
Due from other governments	(1,817)
Increase (decrease) in:	
Accounts payable	689
Accrued liabilities	1,233
Compensated absences	(113)
Deferred revenue	<u>280</u>
Total adjustments	<u>19,002</u>
Net cash provided by operating activities	<u><u>\$ 108,033</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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	18
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. OTHER INFORMATION	
A. Adjudication	22
B. Retained Risk of Loss	22

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 2015, Bloomfield Irrigation District adopted the following GASB Statements:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 72, *Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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

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.

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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.

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, 2015 was properly amended by the Board through the year. These amendments resulted in the following changes:

Original <u>Budget</u>	Final <u>Budget</u>
\$ 494,300	\$ 494,300

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2015, the carrying amount of the District's deposits was \$391,910 and the bank balance was \$394,690 of this balance \$394,941 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, 2015, the District 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	\$ 53,010	\$ 81,382	\$ 44,341	\$ 44,380	\$ -
Certificates of deposit	60,111	-	-	-	-
Money market account	3,201	-	-	10,995	97,270
FDIC coverage	<u>(116,322)</u>	<u>(81,382)</u>	<u>(44,341)</u>	<u>(55,375)</u>	<u>(97,270)</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	\$ 6,381
Deposits	100
Allowance for doubtful	<u>(1,335)</u>
Total	<u>\$ 5,146</u>

Allowance for doubtful accounts has been estimated by management.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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

C. Capital Assets

Capital assets activity for the year ended June 30, 2015 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	382,681	-	-	382,681
Capital assets, being depreciated:				
Building and improvements	118,768	-	-	118,768
Irrigation system	730,815	90,362	-	821,177
Land improvements	-	-	-	-
Equipment	158,523	-	-	158,523
Total capital assets being depreciated	1,008,106	90,362	-	1,098,468
Less accumulated depreciation for:				
Building and improvements	(2,360)	(4,124)	-	(6,484)
Irrigation system	(724,233)	(2,464)	-	(726,697)
Equipment	(132,384)	(8,932)	-	(141,316)
Total accumulated depreciation	(858,977)	(15,520)	-	(874,497)
Total capital assets being depreciated, net	149,129	74,842	-	223,971
Business type activities capital assets, net	\$ 531,810	\$ 74,842	\$ -	\$ 606,652

D. Liabilities

Accrued Payroll

Accrued liabilities for the year ended June 30, 2015 was as follows:

Accrued Payroll	\$ 1,179
Tax withholdings	4,867
	\$ 6,046

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 accrued at 365/365. 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	\$ 177,870	5.25%	\$ 168,917	\$ 5,618

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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

D. 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>
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	6,927	7,458	14,385
2021 - 2025	40,643	31,285	71,928
2026 - 2030	52,813	19,115	71,928
2031 - 2035	44,184	4,229	48,413
Total	\$ 168,917	\$ 95,280	\$ 264,197

Changes in long term debt – During the year ended June 30, 2015 the following changes occurred in liabilities reported in the general obligation bonds account group:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Amount Due <u>Within One Year</u>
Compensated absences:					
Compensated vacation	\$ 3,446	\$ 6,167	\$ 6,280	\$ 3,333	\$ 3,333
Loan agreement	174,887	-	5,970	168,917	5,618
	\$ 178,333	\$ 6,167	\$ 12,250	\$ 172,250	\$ 8,951

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

IV. OTHER INFORMATION

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 has not exceeded commercial insurance coverage in the past three years.

C. Subsequent Events

Subsequent events were evaluated through August 28, 2015, 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 Position -
 Budget and Actual (Non-GAAP Budgetary Basis)**
 Year Ended June 30, 2015

	<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	\$ 182,455	\$ 182,455	\$ 176,795	\$ (5,660)
Ad valorem taxes	242,000	242,000	241,381	(619)
Rental activity - housing	3,700	3,700	4,030	330
Total operating revenue	428,155	428,155	422,206	(5,949)
Operating expenses:				
Salaries and benefits	194,300	192,500	175,494	17,006
Travel	12,000	12,000	7,731	4,269
Office expense	32,000	40,000	37,556	2,444
Repairs and maintenance	80,000	152,000	148,082	3,918
Equipment rental	60,000	23,500	13,009	10,491
Insurance	20,000	18,000	17,922	78
Legal and professional	89,000	50,500	25,721	24,779
Miscellaneous	7,000	5,800	916	4,884
Total operating expenses	494,300	494,300	426,431	67,869
<i>Income from operations</i>	(66,145)	(66,145)	(4,225)	61,920
Non-Operating income (expenses)				
Interest income	400	400	288	(112)
<i>Net income (loss)</i>	(65,745)	(65,745)	(3,937)	61,808
Beginning cash balance budgeted	388,937	388,937	-	(388,937)
Net position beginning of the year	-	-	754,683	754,683
Net position end of the year	\$ 323,192	\$ 323,192	750,746	\$ 427,554
RECONCILIATION TO GAAP BASIS:				
Change in property and equipment			90,361	
Change in taxes receivable			1,818	
Change in payables			1,901	
Change in accrued interest			(231)	
Changes in non-current liabilities			5,969	
Change in deferred revenue			(280)	
Depreciation			(15,521)	
Net position end of the year (GAAP basis)			\$ 834,763	

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

Schedule Of Pledged Collateral
 June 30, 2015

	<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	\$ 116,322	\$ 81,382	\$ 44,341	\$ 55,375	\$ 97,270	\$ 394,690
Less FDIC Coverage	<u>(116,322)</u>	<u>(81,382)</u>	<u>(44,341)</u>	<u>(55,375)</u>	<u>(97,270)</u>	<u>(394,690)</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 - Interest	Citizens Bank	\$ 53,010
Savings Business	Savings	Citizens Bank	3,201
Savings Business	CD	Citizens Bank	60,111
Operating	Savings	Bank of America	44,341
Savings Business	Savings	Four Corners Community Bank	81,382
Operating	Checking - Interest	Bank of the Southwest	10,995
Savings Business	CD	Bank of the Southwest	44,380
Savings Business	CD	Washington Federal	97,270
			<u>\$ 394,690</u>

Adjustments to cash:	
Bank balance	\$ 394,690
Cash on hand	250
Reconciling items	<u>(3,030)</u>
Total adjusted cash	<u>\$ 391,910</u>

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT

SCHEDULE OF VENDOR INFORMATION
 (Individual Purchases in Exceeding \$60,000, Excluding Gross Receipts Tax)
Year ended June 30, 2015

Prepared by (Agency Staff Name): Stacey Dodd Title: Office Coordinator Date: August 28, 2015

<u>RFB/REF #</u>	<u>Type of Procurement</u>	<u>Awarded To</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State / Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
N/A	Request for Proposals	Paul & Sons Construction	\$ 90,362	\$ -	Paul & Sons Construction Inc. 210 West Main St. A, Bloomfield, NM 87413	Y	N	Removal of boulders and installation of 163 feet of wall and floor 8" thick w/ ditch bank reinforcement
					Ave Services Inc. 1149 S. Main Ave., Aztec, NM 87410	Y	N	
					Sterling Brothers Construction PO Box 1119, Aztec, NM 87410	Y	N	
					Foutz & Bursum PO Box 187, Bloomfield, NM 87413	Y	N	
					HALO Services 70 CR 4980, Bloomfield, NM 87413	Y	N	

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

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Schedule of Findings and Responses

Summary Schedule of Prior Year Audit Findings

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Required Disclosures

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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

Tim Keller, 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, 2015, 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 August 28, 2015.

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. We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2015-001.

Tim Keller, State Auditor and
The Board of Directors of
Bloomfield Irrigation District

Bloomfield Irrigation District's Response to Findings

Bloomfield Irrigation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Bloomfield Irrigation District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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. This report is intended solely for the information and use of the Board of Directors, management, and the New Mexico State Auditor, and Department of Finance and Administration – Local Governments and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
August 28, 2015



SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant Deficiency(ies) identified?	—	✓	—
Noncompliance material to financial statements noted?	—	✓	—

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2015 – 001 PROCUREMENT REQUIREMENTS NOT FOLLOWED

Other noncompliance

Condition: The District procured services for improvements to the irrigation system. The improvement totaled 90,362. The District did not advertise for a project that totaled 90,362, although they did receive 5 sealed bids.

Criteria: State Procurement statute requires that the District have a Procurement officer, and that the District Advertise for projects over \$60,000. And give bidders 10 days to respond

Effect of condition: The District is in violation of the state procurement statute and might have missed getting a better deal for the District.

Cause: The District was not aware that the project was going to cost that much.

Recommendation: The District needs to update the internal control policies and procedures so that they agree with the state procurement requirements and state law.

Management's Response: Bloomfield Irrigation District is aware of and understands the finding. Proper steps have already been implemented to correct this practice as to be in compliance with state procurement requirements and state law. The office coordinator is now a certified Procurement Officer, and our office and board are more aware of the proper procedures to take for procurements in the future.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

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 DISCLOSURE

YEAR ENDED JUNE 30, 2015

The financial statements were prepared by the independent public accountants.

An exit conference was held August 28, 2015, during which the audit findings were discussed. The exit conference was attended by the following individuals:

BLOOMFIELD IRRIGATION DISTRICT

Leonard Trujillo	Board of Directors
Stacy Dodd	Office Manager
Karen Steele	Administrative Assistant

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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