

BLOOMFIELD IRRIGATION DISTRICT

Financial Statements

June 30, 2016



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

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OFFICIAL ROSTER
June 30, 2016

Board of Directors

Name

Leonard Trujillo

Andrew Dean

Dale Archuleta

Title

Board Chairman

Board Member

Board Member

Administrative Employees

Stacy Dodd

Karen Steele

Office Coordinator

Administrative Assistant

Field Employees

Michael Meidinger

Harold Chamberlain

Systems Operator

Assistant Systems Operator

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bloomfield Irrigation District
and Mr. Timothy Keller
New Mexico, State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bloomfield Irrigation District (the "District"), as of and for the year ended June 30, 2016, 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 also have audited the budgetary comparison presents as supplemental information in the financial statements as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 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 the 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 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 our report dated December 13, 2016 on our consideration of the Bloomfield Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bloomfield Irrigation District's internal control over financial reporting and compliance.

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

Albuquerque, New Mexico
December 13, 2016

BLOOMFIELD IRRIGATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016.

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 are collected by the District. Ditch Repair and Maintenance expenditures amounted to \$304,067, an increase from the prior year of \$147,843 due to a large ditch repair project for a major washout of the ditches infrastructure, the "Kendall Project", in the amount of \$233,695. Of the \$304,067, \$70,372 was expensed as repairs and maintenance, and \$233,695 was capitalized.
- Negotiation attempts continued with the City of Bloomfield and Enterprise to enter into a new contract agreement at a higher rate.
- Review County Treasurers report on unpaid balances for "no water" notifications.
- BID Continued Internal Controls over 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.
- Board stipends for 2015 were reported on a 1099 to correctly report any income tax due to the government.

2. Ditch Maintenance Highlights for Reliability

- Backup offsite for disc storage continues.
- 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 rate for city of Bloomfield or Enterprise and other industrial user for water transportation.

4. Personnel

- Provided increased compensation for all regular employees.
- Emphasize safety in field and office. The safety policy book and Safety Data Sheets are kept up to date.
- Continued a whole Life Insurance Policy (\$25,000) for employees as a necessary benefit.

BLOOMFIELD IRRIGATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

5. Water Actions

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

6. Legal Fees

- Legal fees decreased compared to the previous year due to the case sitting in appeals at the time requiring fewer assessments.
- Costs on a per acre basis shared with San Juan Agriculture.

7. Debt

November 2013 Purchased 1.0 Acre of land with .25 acre of water rights and two structures for operation in the amount of \$220,000. A mortgage was taken out on the amount of \$177,870 at 5.250%. Loan balance at end of 2015-2016 fiscal year was \$163,299.

8. Office of the State Auditors Rules

The Districts 2015-2016 budget amount of \$459,305 for 2015-2016 budget falls below the \$500,000 threshold limit effecting audit requirements for the Districts classification.

Government-wide Financial Statements

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

Proprietary Fund Financial Statements

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

Budgetary Comparisons

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

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.

BLOOMFIELD IRRIGATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

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 \$908,954 at the close of the most recent fiscal year.

An analysis of fiscal year 2016 follows:

Assets:	2015	2016
Current assets	\$ 409,967	292,351
Net property and equipment	606,652	805,253
Total assets	<u>1,016,619</u>	<u>1,097,604</u>
Liabilities		
Current liabilities	18,277	21,379
Non-Current liabilities	163,299	157,325
Differed rent	280	-
Total liabilities	<u>181,856</u>	<u>178,704</u>
Net Position		
Net investment in capital assets	437,735	641,954
Unrestricted	397,028	276,946
Total net position	<u>\$ 834,763</u>	<u>918,900</u>
Program revenue charges		
for services	\$ 177,386	179,521
Rental Activity-housing	9,000	14,250
Interest income	288	361
Interest expense	(9,239)	(8,560)
General revenues	<u>243,199</u>	<u>282,384</u>
Total revenues	420,634	467,956
Expenditures - Irrigation	<u>340,554</u>	<u>383,819</u>
Changes in net assets	80,080	84,137
Net position-beginning	<u>754,683</u>	<u>834,763</u>
Net position-ending	<u>\$ 834,763</u>	<u>918,900</u>

BLOOMFIELD IRRIGATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

Project Revenues were (Budget 2015/2016) \$459,305.

Expenditures increased (Budget 2015/2016) to \$383,819 due to maintenance needs, BOR Scheduled Spring Peak Release, and a large breach labeled "Kendall Project".

Next Year's Budget

The District has decreased its budget by \$136,500 in the next budget year (2015/2016) due to no foreseen emergency infrastructure failures in the near future.

BLOOMFIELD IRRIGATION DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

Assets

	2016
Current assets	
Cash and cash equivalent	\$ 246,260
Accounts receivable, net	12,072
Due from other government	34,019
Total current assets	<u>292,351</u>
Noncurrent assets	
Land	114,033
Building and improvements	118,768
Irrigation system	1,045,097
Equipment	158,523
Less: accumulated depreciation	(899,816)
Water rights	268,648
Total Noncurrent assets	<u>805,253</u>
Total assets	<u>\$ 1,097,604</u>

Liabilities

Current liabilities	
Accounts payable	\$ 5,991
Accrued payroll	5,259
Compensated absences	3,627
Accrued interest payable	528
Loans payable	5,974
Total current liabilities	<u>21,379</u>
Noncurrent liabilities	
Loans payable (less current portion)	<u>157,325</u>
Total liabilities	<u>178,704</u>

Net Position

Net investment in capital assets	641,954
Unrestricted	276,946
Total net position	<u>918,900</u>
Total Liabilities and net position	<u>\$ 1,097,604</u>

BLOOMFIELD IRRIGATION DISTRICT
STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET POSITION
June 30, 2016

Operating revenues	
Water sales	\$ 179,521
Specials assessment fees	282,384
Rental activity - housing	14,250
Total operating revenues	<u>476,155</u>
Operating expenses	
Salaries and benefits	194,422
Travel	7,457
Office expenses	18,572
Repairs and maintenance	70,372
Equipment rental	24,903
Insurance	15,553
Legal and professional	26,150
Miscellaneous	1,000
Bad debt	71
Depreciation	25,319
Total operating expenses	<u>383,819</u>
Operating income	<u>92,336</u>
Non-operating income (expense)	
Interest income	361
Interest expense	(8,560)
Total non-operating expenses	<u>(8,199)</u>
Change in net position	84,137
Net position - beginning	<u>834,763</u>
Net position - ending	<u>\$ 918,900</u>

BLOOMFIELD IRRIGATION DISTRICT
Statement of Cash Flows
June 30, 2016

Cash Flows From Operating Activities

Cash received from customers	\$ 447,842
Cash payments to employees	(169,596)
Cash payments for supplies and maintenance	<u>(186,158)</u>

Net cash provided by operating activities 92,088

Cash Flows From Capital and Related Financing Activities

Principal paid on debt	(5,618)
Interest paid on debt	<u>(8,560)</u>

Net cash used in capital and related financing activities (14,178)

Cash Flows from Investing activities

Purchase of capital assets	(223,920)
Interest and dividends received	<u>360</u>

Net cash used in investing activities (223,560)

Net decrease in cash and cash equivalents (145,650)

Cash and cash equivalents at beginning of the year	<u>391,910</u>
Cash and cash equivalents at end of the year	<u><u>\$ 246,260</u></u>

**Reconciliation of Operating income to net Cash
Provided By Operating activities**

Operating income \$ 92,336

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

Depreciation expenses 25,319

Change in assets and liabilities

Customer receivables	(6,926)
Due from	(21,107)
Accounts payable	3,707
Accrued liabilities	(787)
Accrued interest	(468)
Compensated absences	294
Deferred revenue	<u>(280)</u>

Net cash provided by operating activities \$ 92,088

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Bloomfield Irrigation District (The “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.

In evaluating how to define a governmental entity, for financial reporting purposes, management must consider all potential component units for which financial accountability may exist. The determination of financial accountability pursuant to Governmental Accounting Standards Board (GASB no. 14, the financial reporting entity and GASB no. 39, determining whether certain organizations are component units) includes consideration of a number of criteria, including: (1) the ability to appoint a voting majority of another entity’s governing body and to impose its will on the entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on other, and (3) the entity’s fiscal dependency on others. The District’s Management has determined that it has no reportable 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.

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

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

The government uses a proprietary fund to record all of its transactions. Proprietary funds distinguish operating revenues and expenses from non-operating items.

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Accounts Receivable. The accounts receivable reported in the Statement of Net position and an allowance for doubtful accounts has been recorded. Receivables are recognized when services are rendered and revenue has been earned.

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:

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Years
Building 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.

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, 10 days of vacation after the third year of employment, and 15 days of vacation after the fifth year of employment. 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.

Special Assessments Fees. Irrigation water users pay a special levy based on the number of irrigated acres; \$62 for the first acre or portion of acre, and \$28 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.

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.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget 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.

**BLOOMFIELD IRRIGATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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:

- 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.
- In July, the budget is approved by the Board of Directors.
- The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called
- 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 expenditures of the Proprietary Fund.
- Formal budgetary integration is employed as a management control device during the year.
- 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, 2016 was properly amended by the Board through the year. These amendments resulted in the following changes:

Original Budget	Final Budget
\$499,500	\$632,000

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Temporary Investments. At June 30, 2016, the carrying amount of the District’s deposits was \$246,260 and the bank balance was \$255,061 of this balance \$255,061 was covered by the 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.

**BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2016, the District did not have any bank balances exposed to custodial risk as follows:

	<u>Bank of the Southwest</u>	<u>Citizens Bank</u>	<u>Four Corners Community Bank</u>	<u>Washington Federal</u>	<u>Total</u>
<i>Total amount of deposits in bank:</i>					
Cash on deposit	\$ 44,412	46,766	41,602	-	132,780
Certificates of deposit	-	60,141	-	-	60,141
Money market account	8,013	3,301	-	41,775	53,089
Total Deposits	<u>52,425</u>	<u>110,208</u>	<u>41,602</u>	<u>41,775</u>	<u>246,010</u>
Less: FDIC insurance	<u>(52,425)</u>	<u>(110,208)</u>	<u>(41,602)</u>	<u>(41,775)</u>	<u>(246,010)</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.

Receivables.

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

	<u>General</u>
Receivables:	
Accounts Receivable	\$ 13,307
Deposits	100
Allowance for doubtful	(1,335)
Total	<u>\$ 12,072</u>

Allowance for doubtful accounts has been estimated by management.

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets.

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 114,033	-	-	114,033
Water rights	<u>268,648</u>	<u>-</u>	<u>-</u>	<u>268,648</u>
Total capital assets, not being depreciated	<u>382,681</u>	<u>-</u>	<u>-</u>	<u>382,681</u>
Capital assets, being depreciated:				
Building and improvements	118,768	-	-	118,768
Irrigation system	821,177	223,920	-	1,045,097
Equipment	<u>158,523</u>	<u>-</u>	<u>-</u>	<u>158,523</u>
Total capital assets being depreciated	<u>1,098,408</u>	<u>223,920</u>	<u>-</u>	<u>1,322,388</u>
Less accumulated depreciation for:				
Building and improvements	(6,484)	(4,192)	-	(10,676)
Irrigation system	(726,697)	(12,625)	-	(739,322)
Equipment	<u>(141,316)</u>	<u>(8,502)</u>	<u>-</u>	<u>(149,818)</u>
Total accumulated depreciation	<u>(874,497)</u>	<u>(25,319)</u>	<u>-</u>	<u>(899,816)</u>
Total Capital assets being depreciated, net	<u>223,911</u>	<u>198,601</u>	<u>-</u>	<u>422,512</u>
Business type activates capital assets, net	<u>\$ 606,592</u>	<u>198,601</u>	<u>-</u>	<u>805,253</u>

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Liabilities.

Accrued Payroll

Accrued liabilities for the year ended June 30, 2016 was as follows:

Accrued Payroll	\$	5,259
Tax withholdings		467
	\$	<u>5,726</u>

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 loan was based on a twenty year amortization period, with a call date of November 26, 2017 when Citizens bank will send a notice of maturity and prepare a change in terms to extend the loan for another 4 years. This process is repeated through the maturity of the loan. 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%	163,299	5,974

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

<u>Year Ending June 30,</u>	<u>Loan Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 5,974	8,411	13,385
2018	157,325	3,463	160,788
Total	\$ <u>163,299</u>	<u>11,874</u>	<u>175,173</u>

BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in long term debt – During the year ended June 30, 2016 the following changes occurred in liabilities reported in the general obligation account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated Absences:					
Compensated vacation	\$ 3,333	7,014	(6,720)	3,627	3,627
Loan agreement	<u>168,917</u>	<u>-</u>	<u>(5,618)</u>	<u>163,299</u>	<u>5,974</u>
Total	<u>\$ 172,250</u>	<u>7,014</u>	<u>12,338</u>	<u>170,019</u>	<u>9,601</u>

NOTE 4. OTHER INFORMATION

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.

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.

Subsequent Events. Subsequent events were evaluated through December 13, 2016, which is the date of the financial statement were available to be issued.

**BLOOMFIELD IRRIGATION DISTRICT
 PROPRIETARY FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET POSITION - BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
 June 30, 2016**

	Budgeted Amounts		Actual amount (Budget Basis)	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenue				
water sales	\$ 190,285	190,285	186,447	(3,838)
Ad valorem taxes	265,320	265,320	282,384	17,064
Rental activity - housing	3,700	3,700	14,250	10,550
Total operating revenues	<u>459,305</u>	<u>459,305</u>	<u>483,081</u>	<u>23,776</u>
Operating expenses				
Salaries and benefits	195,000	199,200	194,422	4,778
Travel	11,500	11,500	7,457	4,043
Office expense	32,000	32,000	26,787	5,213
Repairs and maintenance	65,000	304,000	294,292	9,708
Equipment rental	30,000	30,000	24,903	5,097
Insurance	17,000	17,000	15,553	1,447
Legal and professional	37,100	37,100	34,035	3,065
Miscellaneous	1,200	1,200	1,071	129
Total operating expenses	<u>388,800</u>	<u>632,000</u>	<u>598,520</u>	<u>33,480</u>
Income from operations	70,505	(172,695)	(115,439)	57,256
Non-Operating Income				
Interest income	1,000	1,000	(8,560)	
	<u>1,000</u>	<u>1,000</u>	<u>361</u>	<u>(639)</u>
Net Income (Loss)	71,505	(171,695)	(123,638)	56,617
Net position beginning of year	-	-	834,763	834,763
Net position end of year	\$ <u><u> </u></u>	<u><u> </u></u>	<u><u>711,125</u></u>	<u><u> </u></u>
Reconciliation to GAAP Basis				
Changes in property and equipment			\$ 198,601	
Changes in accounts receivable			(6,926)	
Changes in accounts payable			7,885	
Changes in accrued liabilities			8,215	
Net Position end of the year (GAAP basis)			<u><u>\$ 918,900</u></u>	

BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

	<u>Bank of the Southwest</u>	<u>Citizens Bank</u>	<u>Four Corners Community Bank</u>	<u>Washington Federal</u>	<u>Total</u>
Cash on deposits	\$ 52,425.00	119,259.00	41,602.00	41,775.00	255,061
Less FDIC Coverage	(52,425)	(119,259)	(41,602)	(41,775)	(255,061)
Total uninsured funds	\$ -	-	-	-	-

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Savings Business	CD	Bank of the Southwest	\$ 44,412
Operating	Checking	Bank of the Southwest	8,013
Operating	Checking - Interest	Citizens Bank	55,832
Savings Business	Savings	Citizens Bank	3,301
Savings Business	CD	Citizens Bank	60,140
Savings Business	Savings	Four Corners Community Bank	41,602
Savings Business	CD	Washington Federal	41,775
			<u>\$ 255,075</u>
Adjustments to cash:			
		Bank balance	\$ 255,075
		Cash on hand	250
		Reconciling items	(9,065)
		Total adjusted cash	<u>\$ 246,260</u>

Bloomfield Irrigation District
 SCHEDULE OF VENDORS
 For the Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP # (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
4015	Bloomfeild Irrigation District	Irrigation Districts	No procurements which exceeded the \$60,000 required reporting threshold										

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Bloomfield Irrigation District
and Mr. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Bloomfield Irrigation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 December 13, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bloomfield Irrigation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bloomfield Irrigation District's 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 weakness 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 weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bloomfield Irrigation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
December 13, 2016

**BLOOMFIELD IRRIGATION DISTRICT
SUMMARY OF CURRENT YEAR FINDINGS
June 30, 2016**

FINANCIAL STATEMENT FINDINGS

None

**BLOOMFIELD IRRIGATION DISTRICT
SUMMARY OF CURRENT YEAR FINDINGS
June 30, 2016**

Status of Prior Year Audit Findings

Current Status

2015-001 – Procurement Requirements Not followed

Resolved

BLOOMFIELD IRRIGATION DISTRICT

EXIT CONFERENCE

June 30, 2016

The contents of this report were discussed in the exit conference held on December 13, 2016. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representatives Bloomfield Irrigation District

Leonard Trujillo	Board Member
Stacy Dodd	Office Manager
Karen Steele	Administrative Assistant

Representative Axiom CPAs and Business Advisors, LLC

Chris Garner	Partner
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