

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2018



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018

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STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018

<u>Name</u>		<u>Title</u>
	<u>Governing Board</u>	
Dale Archuleta		Chairman
Leonard Trujillo		Vice-Chairman
Larry Maston		Board Member
	<u>Administration</u>	
Stacy Dodd		Office Coordinator
Yescina Tirado-Pena		Administrative Assistant
Michail Meidinger		Ditch Foreman
Harold Chamberlin		Ditch Rider
Skylar Mitchell		Ditch Rider

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor
and the Board of Directors of
Bloomfield Irrigation District
Bloomfield, NM

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, and accordingly, no such opinion is expressed.

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, 2018, and the respective changes in financial position and where applicable, cash flows thereof 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 through 8 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 District's financial statements. The introductory section and supplemental information are presented for the purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues, Expenses, and Changes in Fund Net Position – (Non-GAAP Budgetary Basis) and Actual is the responsibility of management and was derived from and relates 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Fund Net Position – (Non-GAAP Budgetary Basis) and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages 1 and 2 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018 on our consideration of the 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 District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 9, 2018

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State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2018

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, 2018.

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 \$182,318, an increase from the prior year of \$114,405 due to increased ditch maintenance, additional pondweed control, and the need to rent a backhoe due to owned backhoe being out of commission
- 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 2017 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

A rate increase for city of Bloomfield was implemented but is pending litigation over the new rate.

4. PERSONNEL

- Compensation remained the same 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.

5. WATER ACTIONS

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

State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2018

6. LEGAL FEES REMAINED THE SAME COMPARED TO PREVIOUS YEAR FEES DUE TO THE CASE SITTING IN APPEALS:

- 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 was refinanced December of 2017 in the amount of \$155,055 at 5.75%. Loan balance at end of 2017-2018 fiscal year was \$151,583.

8. Office of the State Auditors Rules

The District's 2017-2018 budget amount of \$525,700.00 for 2017-2018 budget does not fall below the \$500,000 threshold limit effecting audit requirements for the Districts classification due to bad debt.

9. Bad debt is very high at \$135,909. The majority of this amount is past due from the City of Bloomfield. This amount is pending litigation on a disagreement as to what rate is in effect at this time. The City believes the old rate is in effect until 2020. It is unclear at this time as to how much of this total will be collected yet progress in reaching a resolution has been made.

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.

State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2018

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 \$1,206,732 at the close of the most recent fiscal year.

An analysis of fiscal years 2017 and 2018 follows:

	<u>Net Position 2017</u>	<u>Net Position 2018</u>
Assets:		
Current assets	\$ 538,863	770,621
Net property and equipment	633,883	619,458
Total assets	<u>1,172,746</u>	<u>1,390,080</u>
Liabilities		
Current liabilities	188,812	38,427
Non-Current liabilities	-	144,921
Total liabilities	<u>188,812</u>	<u>183,348</u>
Net Assets		
Net investment in capital assets	476,297	468,290
Unrestricted	507,637	738,442
Total	<u>983,934</u>	<u>1,206,732</u>
Changes in Net Position		
Program revenue charges		
for services	320,680	582,168
Rental Activity-housing	9,000	9,000
Interest income	206	454
Interest expense	-8,244	-9,112
General Revenues	269,869	265,425
Grant Revenues	175,271	
Total Revenues	<u>766,782</u>	<u>847,935</u>
Expenditures - Irrigation	<u>512,983</u>	<u>625,137</u>
Change in Net Position	253,799	222,798
Net Position - beginning	918,900	983,934
Prior Period Adjustment	-188,765	--
Net Position - beginning (restated)	730,135	-
Net Position - ending	<u>\$ 983,934</u>	<u>1,206,732</u>

Project Revenues were (Budget 2017/2018) \$856,593.

Expenditures increased (Budget 2017/2018) to \$625,137 due increased ditch maintenance and higher rental costs

State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2018

NEXT YEAR'S BUDGET

The District has kept its budget by the same for the next budget year (2018/2019) due to no foreseen emergency infrastructure failures in the near future and the need of continued ditch bank clearing and noxious weed work.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	2018
Assets	
<i>Current assets</i>	
Cash and cash equivalents	\$ 498,421
Accounts receivable, net	227,033
Special assessment receivable	45,167
<i>Total current assets</i>	770,621
<i>Noncurrent assets</i>	
Land	114,033
Building and improvements	118,768
Irrigation system	889,162
Equipment	158,523
Less: accumulated depreciation	(929,675)
Water rights	268,648
<i>Total noncurrent assets</i>	619,459
<i>Total assets</i>	\$ 1,390,080
Liabilities	
<i>Current liabilities</i>	
Accounts payable	18,206
Accrued payroll and taxes	6,867
Compensated absences	6,692
Accrued interest payable	414
Loans payable	6,248
<i>Total current liabilities</i>	38,427
<i>Noncurrent liabilities</i>	
Loans payable	144,921
<i>Total liabilities</i>	183,348
Net Position	
Net investment in capital assets	468,290
Unrestricted	738,442
<i>Total net position</i>	1,206,732
<i>Total liabilities and net position</i>	\$ 1,390,080

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Operating Revenues	
Water sales	\$ 582,168
Special assessment fees	265,425
Rental activity - housing	9,000
<i>Total operating revenues</i>	856,593
Operating Expenses	
Salaries and benefits	215,923
Travel	4,670
Office expenses	20,471
Repairs and maintenance	182,318
Equipment rental	3,023
Insurance	15,346
Legal and professional	29,225
Miscellaneous	3,828
Bad debt	135,909
Depreciation	14,424
<i>Total operating expenses</i>	625,137
Operating Income	231,456
Non-operating Income (Expense)	
Interest income	454
Interest expense	(9,112)
<i>Total non-operating expenses</i>	(8,658)
Change in net position	222,798
Net position - beginning of year	983,934
Net position, end of year	\$ 1,206,732

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 644,019
Cash payments to employees	(214,835)
Cash payments to vendors for goods and services	(394,979)
Net cash provided (used) by operating activities	34,205
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt	(6,417)
Interest payments on long-term debt	(9,058)
Net cash provided (used) by financing activities	(15,475)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	454
Net cash provided (used) by investing activities	454
Net increase (decrease) in cash and cash equivalents	19,184
Cash and cash equivalents, beginning of period	479,237
Cash and cash equivalents, end of period	\$ 498,421
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 231,456
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	14,424
(Increase) decrease in operating assets:	
Accounts receivable	(213,190)
Due from special assessment	616
Increase (decrease) in operating liabilities:	
Accounts payable	(189)
Accrued payroll and taxes	212
Compensated absences	876
Net cash provided (used) by operating activities	\$ 34,205

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies

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.

During the year ended June 30, 2018, the District adopted the following GASB statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. 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 is effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.
- GASB Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

These pronouncements are not expected to have a material effect on the District. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District does not have a component unit and is not a component unit of another government agency.

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

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

Special assessment fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The government uses a proprietary fund to record all of its transactions. 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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Temporary 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.

Receivables and Payables: 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. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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:

Buildings/building improvements	20-40 years
Irrigation system	10-30 years
Equipment	5-15 years

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. Full time employees (employees who regularly work at least 35 hours per week) receive one paid day off for each full day of holiday time. Holiday benefits for part time employees will be prorated in accordance with the hours regularly worked by the employee. Temporary employees are ineligible for holiday leave benefits. Full time employees will earn one week (40 hours) of vacation per year during the first 3 years of employment, accrued per paycheck. At 3 years of employment, full time employees will earn 2 weeks (80 hours) of vacation per year. At 5 years, full time employees will earn 3 weeks (120 hours) of vacation per year for the remainder of employment. Temporary employees are ineligible for vacation benefits. Employees are not eligible to use vacation accrued before one full year of completion. Vacation benefits are prorated accordingly for part time employees. Use of vacation is subject to approval by the supervisor and/or Board Chairman and must be requested in a minimum of ½ hour increments.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Employees are expected to use vacation benefits in the fiscal year in which vacation is earned. Employees may carry over unused vacation from one year to the next only up to 2 years' worth. Employees may not accrue more than the maximum leave they are allowed. Once an employee reaches his or her annual ceiling, the employee ceases to accrue any additional vacation benefits. If an employee later uses enough vacation benefits to fall below the ceiling, the employee starts to accrue leave again from that date forward until he or she reaches his or her vacation ceiling again. Accordingly, employees are encouraged to use their vacation benefits in the fiscal year in which they are earned in order to avoid reaching the ceiling limit. Total compensated absences were \$6,692 at June 30, 2018.

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

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 and Finance 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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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 expenditures 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 may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a governmental agency from exceeding an individual line item. The appropriated budget for the year ended June 30, 2018 was properly amended by the Board through the year. These amendments resulted in the following changes:

Description	Original Budget	Final Budget
Revenues	\$465,200	\$500,200
Expenses	\$495,300	\$525,500
Designated Cash	\$479,237	\$479,237

NOTE 3 Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations 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 collateralized as required by the statute. The rate of interest in 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. 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 Corporation, public unit deposits are funds owned by the public unit. 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.

Deposits

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 in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 Cash and Cash Equivalents (Continued)

	Citizens Bank	Bank of the Southwest	Four Corners Community Bank	Washington Federal	Total
Total amounts of deposits	\$ 118,537	\$ 127,512	\$ 126,824	\$ 127,007	\$ 499,880
FDIC coverage	<u>118,537</u>	<u>127,512</u>	<u>126,824</u>	<u>127,007</u>	<u>\$ 499,880</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Collateral requirement (50% of uninsured public funds)	-	-	-	-	-
Pledged security	<u>101,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,990</u>
Total over (under) collateralized	<u>\$ 101,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,990</u>

The funds are maintained in interest bearing and non-interest bearing checking and savings accounts in Citizens Bank, Bank of the Southwest, Four Corners Community Bank, and Washington Federal. No pledged collateral is required of any of the financial institutions as all deposit amounts are below the FDIC coverage of \$250,000. The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Deposits – The risk exists when a portion of the District’s deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (District’s) name.

At June 30, 2018, none of the District’s total balance of \$499,880 was exposed to custodial credit risk as it was all covered under the FDIC coverage.

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.

Reconciliation of Cash to the Financial Statements

The carrying amount of deposits and investments shown above are included in the District’s Statement of Net Position as follows:

Reconciliation to Statement of Net Position	
Cash and cash equivalents per Statement of Net Position	\$ 498,421
Less petty cash	(250)
Add outstanding checks and other reconciling items	<u>1,709</u>
Bank balance of deposits	<u>\$ 499,880</u>

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 Receivables

Receivables as of June 30, 2018 are made up of deposits of \$100, customer receivables of \$474,716 less an allowance for doubtful accounts of \$247,783 for a net customer receivable amount of \$227,033. The District also has special assessments due to them in the amount of \$45,167. The special assessments are billed and collected by San Juan County in the property tax assessments mailed to affected customers. No allowance for doubtful accounts is provided for these assessments as they are all deemed to be collectible as the property cannot be sold without this lien being paid.

The District is in a dispute with the City of Bloomfield over an increase in the transportation fees charged for the water delivered to the City. The City continues to pay the previous transportation fee amounts while the District is billing the new rates. Of the outstanding customer receivables, only \$714 relates to balances older than 90 days except for the amounts attributable to the City.

NOTE 5 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and water rights are not subject to depreciation.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets used in governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,033	\$ -	\$ -	\$ 114,033
Water rights	268,648	-	-	268,648
Total capital assets not being depreciated	<u>382,681</u>	<u>-</u>	<u>-</u>	<u>382,681</u>
Capital assets being depreciated:				
Irrigation system	\$ 889,162	\$ -	\$ -	\$ 889,162
Buildings and improvements	118,768	-	-	118,768
Equipment	158,523	-	-	158,523
Total capital assets being depreciated	<u>1,166,453</u>	<u>-</u>	<u>-</u>	<u>1,166,453</u>
Less accumulated depreciation:				
Irrigation system	742,132	10,017	-	752,149
Buildings and improvements	14,990	4,181	-	19,171
Equipment	158,129	226	-	158,355
Total accumulated depreciation	<u>915,251</u>	<u>14,424</u>	<u>-</u>	<u>929,675</u>
Total capital assets, net of depreciation	<u>\$ 633,883</u>	<u>\$ (14,424)</u>	<u>\$ -</u>	<u>\$ 619,459</u>

At June 30, 2018, the District had no construction agreements in place. Depreciation expense in the amount of \$14,424 was recorded at June 30, 2018.

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

NOTE 6 Long-Term Debt

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. At the maturity date Citizens bank issued a notice of maturity and sent notice of a change in the terms and to extend the loan for another 4 years. The provisions of the updated loan issued on December 14, 2017 are for \$155,055 at 5.75% interest accrued at 365/365. 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 matures on November 26, 2033.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 Long-Term Debt (Continued)

	Balance at 06/30/17	Additions	Deletions	Balance at 06/30/18	Due Within One Year
Loan Agreements	\$ 157,586	\$ 155,055	\$ 161,472	\$ 151,169	\$ 6,248
Compensated Absences	5,816	6,867	5,991	6,692	6,692
Total	\$ 163,402	\$ 161,922	\$ 167,463	\$ 157,861	\$ 12,940

The annual debt service requirements to maturity as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Total Debt Service Payments		Total Debt Service
	Principal	Interest	
2019	\$ 6,248	\$ 8,499	\$ 14,747
2020	6,718	12,049	18,767
2021	7,111	5,830	12,941
2022	131,092	2,012	133,104
Totals	\$ 151,169	\$ 28,390	\$ 179,559

Issue Date	5 Year Note Citizen's Bank 12/14/2017
Original Issue	\$155,055
Maturity Date	11/26/2021
Principal	Monthly
Interest Rate	5.75%
Principal/Interest	Monthly

Compensated Absences: Employees of the District are able to accrue a limited amount of vacation time during the year. During fiscal year June 30, 2018, compensated absences increased \$876 over the prior year accrual. See Note 1 for more details.

NOTE 7 Contingent Liabilities

Adjudication. The District is involved in various claims and lawsuits arising in the normal course of business. 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. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 Tax Abatement Disclosures

GASB Statement No. 77 requires government agencies to identify any tax abatement agreements that affect the government agency and disclose the amount of tax which was abated. There are no reported tax abatements affecting the District.

NOTE 9 Subsequent Accounting Standard Pronouncements

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2017, GASB Statement No. 87 *Leases*, was issued. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* was issued. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 Subsequent Accounting Standard Pronouncements (Continued)

fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirement of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

NOTE 10 Prior Period Adjustment

There were no prior period adjustments for the year ended June 30, 2018.

NOTE 11 Subsequent Events

A review of subsequent events through November 9, 2018, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND
FOR THE YEAR ENDING JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Operating revenues</i>				
Water sales	\$ 196,200	\$ 231,200	\$ 233,184	\$ 1,984
Special assessment fees	260,000	260,000	266,041	6,041
Rental activity - housing	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
<i>Total operating revenues</i>	<u>465,200</u>	<u>500,200</u>	<u>508,225</u>	<u>8,025</u>
<i>Operating expenses</i>				
Salaries and benefits	193,500	223,700	215,047	8,653
Travel	11,500	5,500	4,670	830
Office expenses	102,000	137,000	67,939	69,061
Repairs and maintenance	79,000	102,500	141,267	(38,767)
Equipment rental	0	0	3,023	(3,023)
Insurance	20,000	17,000	15,346	1,654
Legal and professional	68,000	38,500	29,225	9,275
Miscellaneous	1,300	1,300	3,920	(2,620)
Capital outlay	<u>20,000</u>	<u>0</u>	<u>-</u>	<u>-</u>
<i>Total operating expenses</i>	<u>495,300</u>	<u>525,500</u>	<u>480,437</u>	<u>45,063</u>
<i>Operating income</i>	<u>(30,100)</u>	<u>(25,300)</u>	<u>27,788</u>	<u>53,088</u>
<i>Non-operating income (expense)</i>				
Interest income	300	300	454	(154)
Interest expense	<u>-</u>	<u>-</u>	<u>(9,058)</u>	<u>9,058</u>
<i>Total operating revenues</i>	<u>300</u>	<u>300</u>	<u>(8,604)</u>	<u>8,904</u>
<i>Other financing sources (uses):</i>				
Designated cash	<u>479,237</u>	<u>479,237</u>	<u>-</u>	<u>(479,237)</u>
<i>Net change in cash or fund net position</i>	449,437	454,237	19,184	(417,245)
<i>Cash or fund net position - beginning of year</i>	<u>-</u>	<u>-</u>	<u>479,237</u>	<u>479,237</u>
<i>Cash or fund net position - end of year</i>	<u>\$ 449,437</u>	<u>\$ 454,237</u>	<u>\$ 498,421</u>	<u>\$ 61,992</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund net position (cash basis)			\$ 19,184	
Adjustments to revenues			348,368	
Adjustments to expenditures			<u>(144,754)</u>	
Net change in net position (GAAP basis)			<u>\$ 222,798</u>	

The accompanying notes are an integral part of these financial statements.

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COMPLIANCE SECTION



Manning Accounting and Consulting Services, LLC

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

Wayne Johnson, New Mexico State Auditor
and the Board of Directors of
Bloomfield Irrigation District
Bloomfield, NM

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 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

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

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items NM 2017-001.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 9, 2018

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements:

- | | |
|-----------------------------------------------------------------------------------|-----------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | None identified |
| b. Significant deficiencies identified not considered to be material weaknesses? | None identified |
| c. Control deficiencies identified not considered to be significant deficiencies? | None identified |

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

None identified

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section III – 12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders and Payment Authorization (Other Non-Compliance) Repeated and Revised

13-1-157 NMSA 1978 Receipt; Inspection; Acceptance or Rejection of Deliveries:

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract.** If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98 NMSA 1978](#) by exclusion of the purchase from the Procurement Code [[13-1-28 NMSA 1978](#)].”

Condition: During our review of disbursements we noted the following instances in which proper procedures were not followed:

- In 14 of 25 items tested there was no purchase order in the file. The costs of goods purchased ranged from \$41.63 to \$4,561.00

During our review of individually significant items we noted the following instances in which proper procedures were not followed:

- In 13 of 23 items tested there was no purchase order in the file. The amount of these disbursements ranged from \$4,561.00 to \$13,266.00

During the previous year’s audit there were 15 instances in which there was no purchase order in the file.

Cause: District personnel have not followed state guidelines or internal procedures in the payment of services. Policy clearly states that the District must have a signed purchase order in place prior to receiving goods and or services.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds

Auditor’s Recommendation: We recommend that all personnel be reminded of, or trained in, District and state policy in regards to payment of goods, services, or construction. All District personnel need to be aware that a purchase order must be approved prior to the receipt of goods and services and that all goods and services should be signed for indicating when items were received and by whom.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section III – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-001 – Purchase Orders and Payment Authorization (Other Non-Compliance) (Continued)
Repeated and Revised

Responsible official's view:

- Specific corrective action plan for finding:
Review of purchase order process will take place to outline shortfall in the newly implemented procedures and changes will be made accordingly to be compliant.

- Timeline for completion of corrective action plan:
Immediately

- Employee position(s) responsible for meeting the timeline:
All Office personnel and board members

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section IV – Prior Year Audit Findings

Financial Section Findings

FS 2017-001 – Late Payment of 941 Tax Payment – Resolved
FS 2017-002 – Improper Controls over Journal Entries – Resolved

12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders and Payments Authorization – Repeated and Revised
NM 2017-002 – I-9 Documentation – Resolved
NM 2017-003 – Improper Procedures for Bid/RFP's and Assigning Statutory Preference – Resolved
NM 2017-004 – Annual Physical Inventory Certification by the Board – Resolved

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018

Section V – Other Disclosures

Auditor Prepared Financials

Manning Accounting and Consulting Services, LLC assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 9, 2018. The following individuals were in attendance.

Bloomfield Irrigation District

Dale Archuleta, Vice Chairman
Stacy Dodd, Office Coordinator
Yesciña Tirado-Peña, Administrative Assistant

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner
Chris Manning, Staff