

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2019



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019

<u>Name</u>		<u>Title</u>
	<u>Governing Board</u>	
Leonard Trujillio		Chairman
Larry Maston		Vice-Chairman
Dale Archuleta		Board Member
	<u>Administration</u>	
Stacy Dodd		Office Coordinator
Elizabeth Serrano		Administrative Assistant
Michail Meidinger		Ditch Foreman
Harold Chamberlin		Ditch Rider
Michael Reynoso		Ditch Rider

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Brian Colón, 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, 2019, 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, 2019, 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 and the Schedule of Cash and Temporary Investment Accounts are 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 and the Schedule of Cash and Temporary Investment Accounts are 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 December 10, 2019 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
December 10, 2019

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State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2019

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, 2019.

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 \$172,264, a decrease from the prior year of \$10,054 due to decreased backhoe rental from completing purchase of a John Deere Backhoe
- 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 2018 were reported on a 1099 to correctly report any income tax due to the government.

2. DITCH MAINTENCANCE 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

Negotiation attempts with the City of Bloomfield and Enterprise were accomplished and a new contract agreement at a higher rate was agreed upon.

4. PERSONNEL

- Compensation increased by 5% 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, 2019

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 2018-2019 fiscal year was \$144,336.

8. Office of the State Auditors Rules

The District's 2018-2019 budget amount of \$548,000.00 for 2018-2019 budget does not fall below the \$500,000 threshold limit effecting audit requirements for the Districts classification.

9. Bad debt is very high at \$176,896. The majority of this amount is past due from the City of Bloomfield. This amount was pending litigation on a disagreement as to what rate is in effect at that time. The City believed the old rate is in effect until 2020. Resolution was met with an agreement of half at signing which was received, and second half to be received in October of 2019 in the amount of \$48,749.77.

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, 2019

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 \$313,744 at the close of the most recent fiscal year.

An analysis of fiscal years 2018 and 2019 follows:

	<u>Net Position 2018</u>	<u>Net Position 2019</u>
Assets:		
Current assets	\$ 770,621	765,918
Net property and equipment	<u>619,458</u>	<u>712,341</u>
Total assets	<u><u>1,390,080</u></u>	<u><u>1,478,259</u></u>
Liabilities		
Current liabilities	38,427	26,932
Non-Current liabilities	<u>144,921</u>	<u>137,583</u>
Total liabilities	<u><u>183,348</u></u>	<u><u>164,515</u></u>
Net Assets		
Net investment in capital assets	468,290	568,005
Unrestricted	<u>738,442</u>	<u>745,739</u>
Total	<u><u>1,206,732</u></u>	<u><u>1,313,744</u></u>
Changes in Net Position		
Program revenue charges		
for services	582,168	522,336
Rental Activity-housing	9,000	9,000
Interest income	454	697
Interest expense	-9,112	-8,037
General Revenues	<u>265,425</u>	<u>265,609</u>
Total Revenues	<u><u>847,935</u></u>	<u><u>796,945</u></u>
Expenditures - Irrigation	<u><u>625,137</u></u>	<u><u>682,593</u></u>
Change in Net Position	222,798	107,012
Net Position - beginning	<u>983,934</u>	<u>1,206,732</u>
Net Position - ending	<u><u>\$ 1,206,732</u></u>	<u><u>1,313,744</u></u>

Project Revenues were (Budget 2018/2019) \$507,100.

Expenditures increased (Budget 2018/2019) to \$662,500 due to increased ditch maintenance and purchase of a John Deere Backhoe

State of New Mexico
Bloomfield Irrigation District
Required Disclosure
Year End June 30, 2019

NEXT YEAR'S BUDGET

The District has kept its budget the same for the next budget year (2019/2020) 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, 2019

	2019
Assets	
Current assets	
Cash and cash equivalents	\$ 639,149
Accounts receivable, net	86,360
Special assessment receivable	40,409
Total current assets	765,918
Noncurrent assets	
Land	114,033
Building and improvements	126,915
Irrigation system	889,162
Equipment	273,445
Less: accumulated depreciation	(959,862)
Water rights	268,648
Total noncurrent assets	712,341
Total assets	\$ 1,478,259
Liabilities	
Current liabilities	
Accounts payable	3,836
Accrued payroll and taxes	8,383
Compensated absences	7,524
Accrued interest payable	436
Loans payable	6,753
Total current liabilities	26,932
Noncurrent liabilities	
Loans payable	137,583
Total liabilities	164,515
Net Position	
Net investment in capital assets	568,005
Unrestricted	745,739
Total net position	1,313,744
Total liabilities and net position	\$ 1,478,259

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, 2019

	2019
Operating Revenues	
Water sales	\$ 522,336
Special assessment fees	265,609
Rental activity - housing	9,000
Total operating revenues	796,945
Operating Expenses	
Salaries and benefits	224,639
Travel	6,778
Office expenses	21,869
Repairs and maintenance	172,264
Equipment rental	1,012
Insurance	23,201
Legal and professional	23,389
Miscellaneous	2,358
Bad debt	176,896
Depreciation	30,187
Total operating expenses	682,593
Operating Income	114,352
Non-operating Income (Expense)	
Interest income	697
Interest expense	(8,037)
Total non-operating expenses	(7,340)
Change in net position	107,012
Net position - beginning of year	1,206,732
Net position, end of year	\$ 1,313,744

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, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 942,376
Cash payments to employees	(222,291)
Cash payments to vendors for goods and services	(442,137)
Net cash provided (used) by operating activities	277,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of property and equipment	(123,069)
Principal payments on long-term debt	(6,833)
Interest payments on long-term debt	(8,015)
Net cash provided (used) by financing activities	(137,917)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	697
Net cash provided (used) by investing activities	697
Net increase (decrease) in cash and cash equivalents	140,728
Cash and cash equivalents, beginning of period	498,421
Cash and cash equivalents, end of period	\$ 639,149
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 114,352
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	30,187
(Increase) decrease in operating assets:	
Accounts receivable	140,673
Due from special assessment	4,758
Increase (decrease) in operating liabilities:	
Accounts payable	(14,370)
Accrued payroll and taxes	1,516
Compensated absences	832
Net cash provided (used) by operating activities	\$ 277,948
Supplemental disclosure cash flow information:	
Cash paid for interest	\$ 8,471
Cash paid for income tax	\$ -

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, 2019

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, 2019, the District adopted the following GASB statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations. 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. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District will not be affected by this Statement as it has been determined it has no assets which meet the criteria.
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. 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 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 and have been implemented by the District.

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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity

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 includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, 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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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)

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.

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 \$7,524 at June 30, 2019.

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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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)

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.
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, 2019 was properly amended by the Board through the year. These amendments resulted in the following changes:

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

Description	Original Budget	Final Budget
Revenues	\$507,400	\$507,400
Expenses	\$541,500	\$671,500
Designated Cash	\$498,421	\$498,421

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, 2019.

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.

	Citizens Bank	Bank of the Southwest	Four Corners Community Bank	Washington Federal	Total
Total amounts of deposits	\$ 170,057	\$ 157,580	\$ 157,023	\$ 157,207	\$ 641,867
FDIC coverage	170,057	157,580	157,023	157,207	\$ 641,867
Total uninsured public funds	-	-	-	-	-
Collateral requirement (50% of uninsured public funds)	-	-	-	-	-
Pledged security	-	-	-	-	-
Total over (under) collateralized	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 Cash and Cash Equivalents (Continued)

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, 2019, none of the District’s total balance of \$641,867 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	\$ 639,149
Less petty cash	(250)
Add outstanding checks and other reconciling items	<u>2,968</u>
 Bank balance of deposits	 <u><u>\$ 641,867</u></u>

NOTE 4 Receivables

Receivables as of June 30, 2019 are made up of deposits of \$100, customer receivables of \$514,624 less an allowance for doubtful accounts of \$428,364 for a net customer receivable amount of \$86,360. The District also has special assessments due to them in the amount of \$40,409. 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 was 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 continued to pay the previous transportation fee amounts while the District was billing the new rates. Of the outstanding customer receivables, only \$2,919 relates to balances older than 90 days except for the amounts attributable to the City. In April the District and the City of Bloomfield reached an agreement to end the disputed billings. The City agreed to pay \$97,499.57 and the District agreed to release all claims against the City. The City agreed to issue a payment of \$48,749.78 in April, and a second payment of \$48,749.77 in October 2019. Both payments were confirmed to have been made. The large allowance will be removed in the next year.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land and water rights are not subject to depreciation.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
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	8,147	-	126,915
Equipment	158,523	114,922	-	273,445
Total capital assets being depreciated	<u>1,166,453</u>	<u>123,069</u>	<u>-</u>	<u>1,289,522</u>
Less accumulated depreciation:				
Irrigation system	752,149	10,017	-	762,166
Buildings and improvements	19,171	4,456	-	23,627
Equipment	158,355	15,714	-	174,069
Total accumulated depreciation	<u>929,675</u>	<u>30,187</u>	<u>-</u>	<u>959,862</u>
Total capital assets, net of depreciation	<u>\$ 619,459</u>	<u>\$ 92,882</u>	<u>\$ -</u>	<u>\$ 712,341</u>

At June 30, 2019, the District had no construction agreements in place. Depreciation expense in the amount of \$30,187 was recorded at June 30, 2019.

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 December 14, 2017, and the provisions of the loan are for \$155,055 at 5.75% interest accrued at 365/365. The loan matures on November 26, 2021 where the terms of the loan will be renegotiated for another four-year term. This process is repeated through the final maturity of the loan on November 26, 2033. The proceeds from the loan were used for the purchase of land and buildings.

	Balance at 06/30/18	Additions	Deletions	Balance at 06/30/19	Due Within One Year
Loan Agreements	\$ 151,169	\$ -	\$ 6,833	\$ 144,336	\$ 6,753
Compensated Absences	6,692	8,387	7,555	7,524	7,524
Total	<u>\$ 157,861</u>	<u>\$ 8,387</u>	<u>\$ 14,388</u>	<u>\$ 151,860</u>	<u>\$ 14,277</u>

The annual debt service requirements to maturity as of June 30, 2019, including interest payments are as follows:

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 Long-Term Debt (Continued)

Fiscal Year Ending June 30,	Total Debt Service Payments		Total Debt Service
	Principal	Interest	
2020	\$ 6,753	\$ 8,095	\$ 14,848
2021	7,147	7,700	14,847
2022	130,436	2,539	132,975
Totals	<u>\$ 144,336</u>	<u>\$ 18,334</u>	<u>\$ 162,670</u>

Issue Date	5 Year Note Citizen's Bank <u>12/14/2017</u>
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, 2019, compensated absences increased \$832 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.

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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 Subsequent Accounting Standard Pronouncements

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 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 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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 Subsequent Accounting Standard Pronouncements (Continued)

In May 2019, GASB Statement No. 91 Conduit Debt Obligations, was issued. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 10 Subsequent Events

A review of subsequent events through December 10, 2019, which is the date the financial statements were available to be issued, indicated nothing of audit significance other than the final payment of the agreement between the District and the City of Bloomfield was made as agreed.

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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, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
Operating revenues				
Water sales	\$ 233,100	\$ 233,100	\$ 473,156	\$ 240,056
Special assessment fees	265,000	265,000	270,367	5,367
Rental activity - housing	9,000	9,000	9,000	-
Total operating revenues	<u>507,100</u>	<u>507,100</u>	<u>752,523</u>	<u>245,423</u>
Operating expenses				
Salaries and benefits	232,000	232,000	222,428	9,572
Travel	8,000	8,000	6,778	1,222
Office expenses	26,500	26,500	48,623	(22,123)
Repairs and maintenance	191,000	191,000	161,766	29,234
Equipment rental	-	-	1,012	(1,012)
Insurance	26,000	26,000	23,201	2,799
Legal and professional	49,000	49,000	23,389	25,611
Miscellaneous	-	-	2,358	(2,358)
Capital outlay	-	130,000	114,922	15,078
Total operating expenses	<u>532,500</u>	<u>662,500</u>	<u>604,477</u>	<u>58,023</u>
Operating income	<u>(25,400)</u>	<u>(155,400)</u>	<u>148,046</u>	<u>303,446</u>
Non-operating income (expense)				
Interest income	300	300	697	(397)
Interest expense	9,000	9,000	(8,015)	17,015
Total operating revenues	<u>9,300</u>	<u>9,300</u>	<u>(7,318)</u>	<u>16,618</u>
Other financing sources (uses):				
Designated cash	<u>498,421</u>	<u>498,421</u>	<u>-</u>	<u>(498,421)</u>
Net change in cash or fund net position	482,321	352,321	140,728	(178,357)
Cash or fund net position - beginning of year	<u>-</u>	<u>-</u>	<u>498,421</u>	<u>498,421</u>
Cash or fund net position - end of year	<u>\$ 482,321</u>	<u>\$ 352,321</u>	<u>\$ 639,149</u>	<u>\$ 320,064</u>
Reconciliation to GAAP basis:				
Net change in fund net position (cash basis)			\$ 140,728	
Adjustments to revenues			44,422	
Adjustments to expenditures			(78,138)	
Net change in net position (GAAP basis)			<u>\$ 107,012</u>	

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

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OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 BLOOMFIELD IRRIGATION DISTRICT
 SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
 JUNE 30, 2019

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
Citizens Bank						
Operational	Checking	\$ 105,986	\$ -	\$ (2,968)	\$ -	\$ 103,018
Money Market	Money Mkt	3,606	-	-	-	3,606
CD	CD	60,464	-	-	-	60,464
Total Citizens Bank		<u>170,056</u>	<u>-</u>	<u>(2,968)</u>	<u>-</u>	<u>167,088</u>
Bank of the Southwest						
Payroll Deposit	Checking	8,025	-	-	-	8,025
Savings	Savings	149,556	-	-	-	149,556
Total Bank of the Southwest		<u>157,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,581</u>
Four Corners Community Bank	Checking	<u>157,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,023</u>
Washington Federal	Money Mkt	<u>157,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,207</u>
Cash on Hand						<u>250</u>
Total		<u>\$ 641,867</u>	<u>\$ -</u>	<u>\$ (2,968)</u>	<u>\$ -</u>	<u>\$ 639,149</u>
Cash per financial statements						
Cash and cash equivalents - Statement of Net Position						<u>639,149</u>
						<u>\$ 639,149</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

Brian Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2019.

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 and NM 2019-001.

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

December 10, 2019

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

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 in internal control identified? | None identified |
| b. Significant deficiencies identified not considered to be material weaknesses? | None identified |
| c. Noncompliance material to financial statements noted? | None identified |

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

Section III – 12-6-5 NMSA 1978 Findings

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

***Criteria:* [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 4 of 25 items tested there was no purchase order in the file. The costs of goods purchased ranged from \$150.00 to \$1,562.53

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

- In 1 of 24 items tested there was no purchase order in the file. The amount of the disbursement was \$11,335.00

During the previous year’s audit there were 27 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.

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

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:
Further training of state policy will take place and all purchases will have a Purchase Order.

- Timeline for completion of corrective action plan:
Immediate action will be implemented.

- Employee position(s) responsible for meeting the timeline:
Office Coordinator, Administrative Assistant, and all three board members

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

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

NM 2019-001—Internal Cash Controls (Other Non-compliance)

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

Condition: During the year an employee of the District was found to be taking small amounts of cash from the petty cash and from fees customers had paid. In October the office manager noticed the missing funds from the petty cash soon after it went missing and called a staff meeting to address the issue. The money was returned. This happened again in December and January. The office manager did an audit of cash payments from customers and compared those receipts to bank deposits and found \$100.50 was missing. The employee was asked to return the money, which she did, and was forced to resign.

Per recommendation of the auditor, the District reported a criminal violation to the Office of the State Auditor as required by 12-6-6 NMSA 1978.

Cause: A second person was not reviewing cash receipts to bank deposits to confirm all receipts were deposited in the bank.

Effect: A couple clients were charged late fees since their payments were not recorded and petty cash money was taken for a short period of time.

Auditors' Recommendation: We recommend that the District incorporate the five elements of the COSO internal control integrated framework in their organization as planned and two individuals be involved with certifying cash receipts are recorded and deposited properly.

Responsible official's view:

- Specific corrective action plan for finding:
Office Staff and Board Members will review the Five Elements of the COSO internal control integrated framework as suggested by the auditor and compare to current operation to find short falls and make adjustments to procedures to address such short falls in order to lower the risk of misappropriate handling and better internal cash controls.
- Timeline for completion of corrective action plan:
Starting immediately with continued review and implementations though out the year.
- Employee position(s) responsible for meeting the timeline:
Office Coordinator, Administrative Assistant, and all three board members

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section IV – Prior Year Audit Findings

Financial Section Findings

None Identified

12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders and Payments Authorization – Repeated and Revised

STATE OF NEW MEXICO
BLOOMFIELD IRRIGATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019

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 December 10, 2019. The following individuals were in attendance.

Bloomfield Irrigation District

Dale Archuleta, Vice Chairman
Stacy Dodd, Office Coordinator
Elizabeth Serrano, Administrative Assistant

Manning Accounting and Consulting Services, LLC

Byron Manning, CPA, Managing Partner