

**STATE OF NEW MEXICO
HAMMOND CONSERVANCY DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6
AGREED-UPON PROCEDURES
Year Ended December 31, 2017**

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**STATE OF NEW MEXICO
HAMMOND CONSERVANCY DISTRICT
List of Principal Officials
December 31, 2017**

<u>Title</u>	<u>Name</u>
President	Robert Spearman
Secretary/Treasurer.....	Stacy Gerk
Director.....	Dan Ashburn
Director.....	Tim Ramsey
Director.....	Billy Mangum
Business Manager.....	Teresa Lane
Assistant Business Manager	Kathi Smith

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

State Auditor and the Board Members
Hammond Conservancy District
Bloomfield, New Mexico

We have performed the agreed-upon procedures which the Office of the State Auditor and Hammond Conservancy District (the District) have specified, listed in the attached schedule, as required by Tier 6 of the Audit Act Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the period beginning January 1, 2017 and ending December 31, 2017 in accordance with attestation standards established by the American Institute of Certified Public Accountants. The District's management is responsible for its accounting records and the subject matter. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our findings related to the procedures in the schedule of procedures and results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others within the District, the New Mexico State Auditor's Office, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

David Berry, CPA, PC

Farmington, New Mexico
May 14, 2018

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HAMMOND CONSERVANCY DISTRICT
Schedule of Procedures and Results
Year Ended December 31, 2017

The procedures and associated results are listed below. Any finding as a result of performing these procedures can be found in the attached Schedule of Findings and Responses.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page.

Tiered reporting (Tier 6) is in compliance with the New Mexico State Auditor's Office.

2. Cash

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

No exceptions were noted testing the attribute above.

- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

No exceptions were noted testing the attribute above.

- c) Determine whether the local public body's financial institutions have not provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

No exceptions were noted testing the attribute above.

3. Capital Assets

- a. Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

An annual physical inventory of capital assets was performed by management. We tested 25 items without exception.

4. Debt

- a. If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

We verified the annual debt service payment made during the year. The District disclosed all reserve requirements in the footnotes to the financial statements.

5. Revenue

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

We compared 2017 actual revenues to 2016 actual revenues and to 2017 budgeted revenues for each type of revenue.

The following table summarizes the District's operating revenues:

	<u>2017</u>	<u>2016</u>
Charges for services	\$ 317,169	\$ 272,805
Other operating revenues	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>\$ 317,169</u>	<u>\$ 272,805</u>
	<u>Budget</u>	<u>Actual</u>
Charges for services	\$ 320,900	\$ 317,169
Other operating revenues	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>\$ 320,900</u>	<u>\$ 317,169</u>

All revenues tested are considered reasonable and comparable to the prior year and budget based on expectations.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

No exceptions were noted testing the attribute above.

- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

No exceptions were noted testing the attribute above.

6. Expenditures

Select a sample of cash disbursements equal to 30% of the total dollar amount and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

No exceptions were noted testing the attribute above.

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

No exceptions were noted testing the attribute above.

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

We noted two exceptions when testing expenditures for compliance with the new Mexico Procurement Code. The finding has been included in the Schedule of Findings and Responses #2017-001.

7. Journal Entries

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.

No exceptions were noted testing the attribute above.

- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

No exceptions were noted testing the attribute above.

8. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

We verified that the board of directors and DFA – LGD approved the original budget. There were no budget adjustments.

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

The District's total actual expenditures of \$584,473 exceeded the budgeted expenditures of \$400,000 by \$184,473. The finding has been included in the Schedule of Findings and Responses #2017-002.

- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

See attached Statement of Revenues and Expenses – Budget and Actual (Budgetary Basis)

9. Capital Outlay Appropriations

- a. The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures.

We did not observe any capital outlay awards and did no further testing.

10. Other

- a. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(L) NMAC.

No exceptions were noted testing the attribute above.

STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Charges for services	\$ 320,900	\$ 320,900	\$ 317,169	\$ (3,731)
Other	-	-	-	-
Total Operating Revenues	320,900	320,900	317,169	(3,731)
OPERATING EXPENSES:				
Personnel services:				
Salaries and wages	180,000	180,000	173,034	6,966
Payroll taxes	14,500	14,500	13,330	1,170
Other personnel expenses	3,000	3,000	3,000	-
Total Personnel Services	197,500	197,500	189,364	8,136
Maintenance, operations and contractual services:				
Advertising	-	-	-	-
Contract labor	2,000	2,000	22,523	(20,523)
Equipment repairs	18,000	13,000	10,813	2,187
Equipment rental	4,000	4,000	5,317	(1,317)
Insurance	26,100	26,100	22,787	3,313
Other	2,600	2,600	278	2,322
Postage	1,000	1,000	447	553
Professional fees	30,000	30,000	15,636	14,364
Repairs and maintenance	13,000	18,000	36,988	(18,988)
Telephone	5,500	5,500	5,666	(166)
Utilities	26,500	26,500	6,083	20,417
Total Maintenance, Operations and Contractual Services	128,700	128,700	126,538	2,162

STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT

(Continued)

STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Material and supplies:				
Chemicals	8,000	8,000	-	8,000
Fuel and oil	18,000	18,000	13,352	4,648
Shop supplies and tools	4,000	4,000	8,727	(4,727)
Office supplies	4,800	4,800	4,183	617
	<u>34,800</u>	<u>34,800</u>	<u>26,262</u>	<u>8,538</u>
Total Materials and Supplies				
	<u>361,000</u>	<u>361,000</u>	<u>342,164</u>	<u>18,836</u>
Total Operating Expenses				
	<u>(40,100)</u>	<u>(40,100)</u>	<u>(24,995)</u>	<u>15,105</u>
Operating Income (Loss)				
NONOPERATING REVENUES (EXPENSES):				
Long-term debt payment	(9,000)	(9,000)	(9,000)	-
Replacement reserves / capital expenditures	(30,000)	(30,000)	(233,309)	(203,309)
Interest income	500	500	129	(371)
Ad valorem taxes	78,600	78,600	74,083	(4,517)
Federal grants	-	-	-	-
	<u>40,100</u>	<u>40,100</u>	<u>(168,097)</u>	<u>(208,197)</u>
Total Nonoperating Revenues (Expenses)				
	<u>\$ -</u>	<u>\$ -</u>	<u>(193,092)</u>	<u>\$ (193,092)</u>
Change in Net Position (Budgetary Basis)				
RECONCILIATION TO CHANGE IN NET POSITION ON BASIC FINANCIAL STATEMENTS:				
Depreciation			(276,744)	
Capital expenditures			233,309	
Long-term debt payment			<u>9,000</u>	
Change in net position per basic financial statements			<u>\$ (227,527)</u>	

HAMMOND CONSERVANCY DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2017

Prior Year Findings

2015-001 Pledged Collateral – resolved and not repeated

Current Year Findings

Finding #2017-001 Procurement Code Noncompliance (Compliance and Other Matters) (Procedure 6c)

Condition

The District incurred capital expenditures of \$127,287.04 (Pillar Innovations), \$12,968.72 (All American), and \$22,199.58 (Pillar Innovations) and did not document compliance with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Criteria

The District is not in compliance with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Cause

The District does not have policies and procedures in place to comply with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Effect

The District is not in compliance with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Recommendation

The District should establish policies and procedures to comply with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Response

These expenditures related to a 2014 Settlement between New Mexico Gas Company, New Mexico Public Regulation Commission, Attorney General State of New Mexico, Williams Four Corners and Enterprise Products Partners (NMPRC Case #12-00234-UT). Expenditures were handled as sole source items due to an additional agreement with NM Gas Company and the District in 2015 and also because the equipment and services were specialized. All purchases were approved by the District Board of Directors. The settlement and the agreement were one time occurrences. The District is a Bureau of Reclamation project and has adopted a Procurement Standards based on Federal Standards.

Corrective action plan for finding:

The Business Manager will prepare (and the Board will approve) policies and procedures to comply with New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Timeline for completion of corrective action plan:

The policies and procedures will be in place before December 31, 2018.

Employee position(s) responsible for meeting the timeline:

The Business Manager will be responsible for meeting the timeline listed above.

Finding #2017-002 Actual Expenses Exceeded Budgeted Expenses (Compliance and Other Matters) (Procedure 8)

Condition

The District's total actual expenditures of \$584,473 exceeded the budgeted expenditures of \$400,000 by \$184,473.

Criteria

The District is not in compliance with State Statute 6-6-6 NMSA 1978 regarding expenditures not exceeding budgeted authority. The State requires that actual expenditures do not exceed final budgeted expenditures.

Cause

The District did not amend its original budget for capital expenditures of \$233,309 during the year ended December 31, 2017.

Effect

The District is not in compliance with State Statute regarding expenditures not exceeding budgeted authority.

Recommendation

The District should implement policies and procedures to monitor expenditures and revise the budget as needed during the year.

Response

These expenditures related to a 2014 Settlement between New Mexico Gas Company, New Mexico Public Regulation Commission, Attorney General State of New Mexico, Williams Four Corners and Enterprise Products Partners (NMPRC Case #12-00234-UT). Expenditures were handled as sole source items due to an additional agreement with NM Gas Company and the District in 2015 and also because the equipment and services were specialized. All purchases were approved by the District Board of Directors. The settlement and the agreement were one time occurrences. The District is a Bureau of Reclamation project and has adopted a Procurement Standards based on Federal Standards.

Corrective action plan for finding:

The Business Manager will monitor its expenditures throughout the year and revise the budget as necessary to comply with District policy and with applicable New Mexico state statutes.

Timeline for completion of corrective action plan:

The Business Manager will monitor the expenditures on a monthly basis in the future. The District will be in compliance by December 31, 2018.

Employee position(s) responsible for meeting the timeline:

The Business Manager will be responsible for meeting the timeline listed above.

**STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
EXIT CONFERENCE
Year Ended December 31, 2017**

A. Financial Statement Presentation

The District's financial statements were prepared by David Berry, CPA, PC. Management has reviewed and approved these financial statements. Management is responsible for ensuring that the books and records from which the financial statements were prepared adequately support the financial assertions contained therein, in conformity with generally accepted accounting principles and that the records are current and in balance.

B. Exit Conference

An exit conference was held on May 24, 2018. In attendance were:

Hammond Conservancy District:

Board Member	Tim Ramsey
Business Manager	Teresa Lane
Assistant Business Manager	Kathi Smith

David Berry, CPA, PC:

Auditor	David Berry, CPA
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HAMMOND CONSERVANCY DISTRICT (HCDACT)

Detailed Income Statement

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Income

LEVIES - O & M	77,962.85
WATER - 1	99,165.87
WATER BANK	856.57
AD VALOREM TAX - O & M	48,600.59
PERMIT - HAMMOND	1,900.00
ACCOUNT CHARGE	82,170.00
DEED TRANSFER FEE INCOME	38,227.00
INTEREST INCOME	115.61
OTHER INCOME	7,137.86

Total Income

\$356,136.35

Expenses

CANAL REPAIRS & MAINT	36,758.43
CONTRACT LABOR	22,522.91
EQUIPMENT RENTAL	5,317.01
EQUIPMENT REPAIRS & MAINT	10,813.20
FUEL & OIL	13,351.90
INSURANCE EXPENSE	20,387.00
INSURANCE/GROUP & LIFE	3,000.00
PAYROLL TAX EXPENSE	6,753.97
PERMITS & FEES	277.63
PROFESSIONAL FEES	15,635.65
SALARIES & WAGES	87,418.50
SHOP/HOUSE REP & MAINT	230.00
SHOP SUPPLIES & TOOLS	(1,021.93)
TELEPHONE EXPENSE	3,331.58
TELEPHONE EXPENSE/CELLULAR	2,334.43
UTILITIES EXPENSE	4,140.18
UTILITIES EXPENSE - PROPANE	1,942.78
OFFICE EQUIPMENT & SOFTWARE	2,401.61
OFFICE SUPPLIES	1,781.38
POSTAGE EXPENSE	446.75
PAYROLL TAX EXPENSE	6,576.42
SALARIES & WAGES	85,615.04

Total Expenses

\$330,014.44

Net Income / (Loss)

\$26,121.91

Prepared by [unclear]

HAMMOND CONSERVANCY DISTRICT (HCDACT)

Detailed Balance Sheet

December 31, 2017

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2017

Assets

CASH-WELLS FARGO BANK	277,098.32
SAVINGS WELLS FARGO BANK	10,027.83
ACCOUNTS RECEIVABLE	25,149.99
ALLOWANCE FOR BAD DEBT	(975.00)
PETTY CASH	100.00
PREPAID INSURANCE	18,726.07
DUE FROM SAN JUAN COUNTY	0.00
C/D WFB #5764554894 (10/29/17)	81,071.30
C/D WFB #5764554902 (10/29/17)	40,506.37
PUBLIC DOMAIN PROJECT WORKS	12,790,519.07
SHOP & MAINTENANCE EQUIPMENT	417,032.92
OFFICE EQUIP & FURNITURE	71,127.92
TRANSPORTATION EQUIPMENT	100,256.49
NEW EQUIPMENT	70,854.00
WORK IN PROGRESS	221,215.59
ACCUM/DEPRECIATION	(4,887,272.96)

Total Assets

\$9,235,437.91

Liabilities

CURRENT PORTION/NOTES PAYABLE	9,000.00
NOTE PAYABLE - US INTERIOR	124,500.00
LESS CURRENT PORTION	(9,000.00)

Total Liabilities

\$124,500.00

Equity

FUND BALANCE - O & M	33,998.00
FUND BALANCE - N/P RETIREMENT	26,745.00
FUND BALANCE - REPLACE PUMP	29,247.00
FUND BALANCE - DIVERSION DAM	22,819.77
FUND BALANCE - REPLACE EQUIP	35,000.00
FUND BALANCE - UNRESERVED	(2,997,985.23)
CONTRIBUTED CAPITAL SALINITY	11,934,991.46
Net Income / (Loss)	\$26,121.91

Net Worth

\$9,110,937.91

Total Liabilities and Net Worth

\$9,235,437.91

**STATE OF NEW MEXICO
HAMMOND CONSERVANCY DISTRICT
ANNUAL COMPILED FINANCIAL REPORT
Year Ended December 31, 2017**

INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
HAMMOND CONSERVANCY DISTRICT
List of Principal Officials
December 31, 2017**

<u>Title</u>	<u>Name</u>
President	Robert Spearman
Secretary/Treasurer.....	Stacy Gerk
Director.....	Dan Ashburn
Director.....	Tim Ramsey
Director.....	Billy Mangum
Business Manager.....	Teresa Lane
Assistant Business Manager	Kathi Smith

FINANCIAL SECTION

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

State Auditor and the Board Members
Hammond Conservancy District
Bloomfield, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of Hammond Conservancy District (a governmental entity), as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 7-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

The schedule of pledged collateral, as required by 2.2.2 NMAC is included as Other Information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of pledged collateral is the representation of management. This information was subject to our compilation engagement however, we have not audited or reviewed the other information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

David Berry, CPA, PC

Farmington, New Mexico
May 14, 2018

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Management's Discussion and Analysis Year Ended December 31, 2017

For financial reporting purposes, Hammond Conservancy District (the District) is considered a special purpose, primary government according to the definition in Governmental Accounting Standards Board. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and accrual basis accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The report consists of Managements' Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the District.

The discussion and analysis of the District's financial statements provides an overview of its financial activities as of and for the year ended December 31, 2017.

Financial Highlights

- The District's assets exceeded its liabilities at the close of the fiscal year December 31, 2017 by \$8,567,050 (net position). This was an decrease of \$227,527 from December 31, 2016 net position of \$8,794,577. Of the December 31, 2017 net position, \$369,800 is unrestricted.
- The District's financial position decreased in 2017 as compared to prior year due to depreciation expense of \$276,744.
- The District's cash and cash equivalents reflect \$318,330 at December 31, 2017. All excess cash assets are invested in certificates of deposit. In addition, funds have been designated for future operation and maintenance and pump replacement in the amount of \$90,487.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the District's net position and how they have changed. Net position is defined as the difference between assets and liabilities. It is one indicator that measures the District's financial health, or position. Non-financial factors are also important to consider, including number of members and the condition of the system.

These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the District's assets, liabilities, and net position as of December 31, 2017 and 2016.

Net Position, as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 369,800	\$ 564,479
Capital Assets, Net	8,231,263	8,274,698
Non-Current Assets	<u>90,487</u>	<u>88,900</u>
Total Assets	8,691,550	8,928,077
Liabilities		
Current Liabilities	\$ 9,000	\$ 9,000
Non-Current Liabilities	<u>115,500</u>	<u>124,500</u>
Total Liabilities	124,500	151,500
Net Position:		
Net investment in		
Capital Assets	\$ 8,106,763	\$ 8,141,198
Restricted Expendable	90,487	88,900
Unrestricted	<u>369,800</u>	<u>564,479</u>
Total Net Position	\$ 9,035,720	\$ 8,794,577

Analysis of Net Position

The District's assets exceeded liabilities by \$8,567,050 at the close of the fiscal year. Net position consists of 95% Capital Assets (e.g. project works, buildings, and equipment) or \$8,106,763. The District uses these capital assets in its mission to deliver irrigated water to land owners in the District's service area; consequently, these assets are not available for future spending. Net position also consists of restricted assets in the amount of \$90,487. Unrestricted net position is available for the District's ongoing operations and is \$369,800.

The following table summarizes the District's revenue, expenses, and changes in net position for the year ended December 31, 2017 and 2016:

Revenue, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 317,169	\$ 272,805
Operating Expenses	<u>618,908</u>	<u>590,845</u>
Operating Loss	(301,739)	(318,040)
Nonoperating Revenues (Expenses)	<u>74,212</u>	<u>76,897</u>
Change in Net Position	\$ (227,527)	\$ (241,143)

During the fiscal year, the District's net position decreased by \$227,527. Operating revenues increased by \$44,364 (16% increase) due to increase in charges and levies. Nonoperating revenues decrease by \$2,685 from ad valorem taxes.

Operating Revenues

The following table summarizes the District's operating revenues for the fiscal year ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Charges for services	\$ 317,169	\$ 272,805
Other operating revenues	<u>-</u>	<u>-</u>
Total Operating Revenues	\$ 305,194	\$ 272,805

Operating revenues increased by \$44,364 (16% increase) due to increase in charges and levies.

Operating Expenses

The following table summarizes the District's operating expenses for the fiscal year ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Personnel services	\$ 189,288	\$ 181,913
Maintenance, operations and contractual services	126,538	91,819
Material and supplies	26,262	26,874
Bad debt expense	-	14,513
Depreciation	<u>276,744</u>	<u>275,726</u>
Total Operating Expenses	\$ 618,908	\$ 590,845

Non-Operating Revenues and Expenses

The following table summarizes the District's non-operating revenues (expenses) for the fiscal year ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 129	\$ 300
Ad valorem taxes	<u>74,083</u>	<u>76,597</u>
Total Nonoperating Revenues	\$ 74,212	\$ 76,897

Capital Assets and Long-Term Debt

The District added \$233,280 and \$30,314 in capital assets during the fiscal year ended December 31, 2017 and 2016. Depreciation expenses for the year ended December 31, 2017 and 2016, amounted to \$276,744 and \$275,726, respectively.

The District made principal payments in the amount of \$9,000 and \$9,000 during the years ended December 31, 2017 and 2016, respectively.

Factors Impacting Future Periods

The District will continue maintenance on the delivery system of irrigation water to land owners in its service area.

Comparison of Budget to Actual

Included in this report is a Budget Comparison Summary of the original budget to the final budget to the actual revenue and expenses. This report is required by the New Mexico State Auditor.

Operating revenues were under budget by \$3,731 due to charges for services and other charges.

Total operating expenses were under/(over) budget by \$18,836. Personnel services were under/(over) budget by \$8,136; maintenance, operations and contractual services were under/(over) budget by \$2,162; and materials and supplies were under/(over) budget by \$8,538.

Total Nonoperating revenues were over/(under) budget by (\$4,888).

Nonoperating expenses (capital expenditures) were (under)/over budget by \$203,309.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
BASIC FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION

December 31, 2017

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 318,330
Accounts receivable, net of allowance of \$813	9,662
Due from other governments	25,482
Prepaid expenses	16,326
Total Current Assets	<u>369,800</u>
NONCURRENT ASSETS:	
Restricted assets - cash	90,487
Capital assets not being depreciated	221,216
Capital assets, net of accumulated depreciation	8,010,047
Total Noncurrent Assets	<u>8,321,750</u>
Total Assets	<u>\$ 8,691,550</u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	\$ -
Accrued payroll taxes	-
Current portion of noncurrent liabilities	9,000
Total Current Liabilities	<u>9,000</u>
NONCURRENT LIABILITIES:	
Note payable - US Department of Interior (noncurrent)	115,500
Total Liabilities	<u>124,500</u>
NET POSITION:	
Net investment in capital assets	8,106,763
Restricted expendable	90,487
Unrestricted	369,800
Total Net Position	<u>8,567,050</u>
Total Liabilities and Net Position	<u>\$ 8,691,550</u>

See accompanying notes and accountant's report.

**STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
BASIC FINANCIAL STATEMENTS**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION**

Year Ended December 31, 2017

OPERATING REVENUES:	
Charges for services	\$ 317,169
Other operating revenues	-
Total Operating Revenues	<u>317,169</u>
OPERATING EXPENSES:	
Personnel services	189,364
Maintenance, operations and contractual services	126,538
Material and supplies	26,262
Depreciation	276,744
Total Operating Expenses	<u>618,908</u>
Operating Income (Loss)	<u>(301,739)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	129
Ad valorem taxes	74,083
Federal grants	-
Total Nonoperating Revenues (Expenses)	<u>74,212</u>
Increase (decrease) in net position	<u>(227,527)</u>
NET POSITION, beginning of year	<u>8,794,577</u>
NET POSITION, end of year	<u><u>\$ 8,567,050</u></u>

See accompanying notes and accountant's report.

**STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
BASIC FINANCIAL STATEMENTS**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Charges for services and other operating revenues	\$ 334,950
Payments to employees for salaries and benefits	(189,364)
Payments to suppliers	<u>(145,720)</u>
Net Cash Provided (Used) By Operating Activities	<u>(134)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Ad valorem taxes	74,083
Operating grants	<u>-</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>74,083</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Acquisition of fixed assets	(233,280)
Repayment of debt	<u>(9,000)</u>
Net Cash Provided (Used) By Capital Financing Activities	<u>(242,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>129</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(168,202)
CASH AND CASH EQUIVALENTS, beginning	<u>577,019</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 408,817</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (301,739)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	276,744
Changes in:	
Accounts receivable	17,781
Due from other governments	6,585
Prepaid expenses	495
Accrued taxes payable	<u>-</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (134)</u></u>

See accompanying notes and accountant's report.

HAMMOND CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – CREATION OF ENTITY AND BASIS OF PRESENTATION

Reporting Entity

The District was created by decree of the State of New Mexico, Chapter 75, New Mexico State Statutes Annotated 1953, as a political subdivision of the State in April 1958. The District participated in the Colorado River Storage Project, pursuant to an agreement with the Department of Interior, subject to Federal Reclamation Laws, beginning in 1959. The Project accomplished the construction of a diversion dam, main canal, pumping plant and associated water transportation system, and headquarters. Subsequent to the development period, the District assumed responsibility for the operation and maintenance of the Project to deliver irrigation water to land owners located within Bloomfield, New Mexico. The District is governed by a Board of Directors elected by the members of the District. The Board of Directors of the District has decision-making authority, the power to designate management, and the ability to significantly influence operations and primary accountability for fiscal matters. Based on the application of these criteria no component units were included in the financial statements.

In September 1996 the District entered into a cooperative agreement with the United States Department of Interior, Bureau of Reclamation. The agreement is authorized by Public Law 104-20 to expand its salinity control efforts to new areas within the Colorado River Basin. The Bureau of Reclamation will provide funding and technical assistance for work associated with lining canals and laterals of the District conveyance system. The duration of this agreement extended through September 30, 2002. The total cost of lining the East Highline, West Highline, Gravity Extension Lateral, main canal, and project mitigation was approximately \$13,000,000. The District is responsible for conducting all required pre-construction and construction activities, and submitting periodic reports to the Bureau of Reclamation as required by federal and state laws. The District subcontracted with a construction manager to assist with accomplishing these responsibilities.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts, cash on hand, and certificates of deposits.

State statutes authorize the District to invest excess funds in United States bonds or treasury certificates or other instruments backed by the full faith and credit of the United States Government.

Collateral is required for at least 50% (102% for overnight deposits) of all balances not insured by the FDIC. Obligations that may be pledged as collateral are obligations of the U.S. Government, its agencies and state and local governments. Collateral is held in safekeeping at depository institutions.

Accounts Receivable

Land within the District is statutorily classified as Class A (irrigable) and Class B (non-irrigable) land. Class A land owners pay for water services as follows: Levies are charged at the rate of \$20 per acre for approximately 3,933 acres of authorized irrigable land; water usage is charged at the rate of \$25.44 per acre; each Class A land owner is charged \$90 per year to provide additional funds for operations.

The District is required to provide service and grant credit to a diverse customer base within its service territory. The District may require security deposits prior to providing service to customers depending upon an assessment of credit worthiness. The District reviews customer accounts receivable on a regular basis and has an accounts receivable collection policy.

The District has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the District.

Due From Other Governments

Intergovernmental receivables include amounts due from grantors for grants for specific programs and capital projects. Program grants and capital grants for general fixed assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Capital grants for fixed asset additions to the proprietary funds are recorded as receivables and a corresponding increase to contributions in aid of construction when reimbursable project costs are incurred.

The District receives indirect cost reimbursements from the Bureau of Reclamation grant. These revenues are for expenses incurred in performing administrative functions on behalf of the project. The associated expense is included as a cost of the constructed assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

Restricted Assets

The restricted assets consist of certificates of deposit required for compliance with various debt agreements.

Capital assets

Capital assets are recorded at original cost, or fair value if donated. The District's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The District includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for project works and headquarters, 7 to 10 years for shop and maintenance equipment, and 5 to 10 years for office and transportation equipment.

Compensated Absences

It is the policy of the District to permit certain employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the District. The cost of earned but unpaid vacation leave is normally recognized in proprietary funds when the benefit vests to the employee and becomes a legal liability to the District. It is the policy of the District to allow employees to take their vacation leave prior to the next irrigation season. At year-end, substantially all of the accumulated compensated absences had been used prior to year-end, and no liability was accrued. The District does not pay for unused sick leave upon termination; therefore, amounts are not accrued for sick leave liability.

Net position

Net position is classified as follows:

Net Investment in capital assets represent the District's total investment in capital assets, net of outstanding debt related to those capital assets.

Restricted net position represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. *Restricted expendable* net position is resources that the District is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. *Restricted non-expendable* net position consists of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. There are no restricted non-expendable net assets at year-end.

Unrestricted net position consists of those operating funds over which the governing board retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Revenues

Revenues are classified as operating or non-operating according to the following criteria:

Operating revenue include activities that have the characteristics of an exchange transaction, such as a) charges for services and fees, net of allowance for uncollectible allowance.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) capital grants; and b) investment income.

General (ad valorem) taxes are collected by the San Juan County Treasurer and distributed monthly to the District. Class A and B landowners pay property taxes based on the assessed valuation as of January 1st of each year. The tax levy is payable in two installments, November 10th and April 10th. The property taxes are considered delinquent and subject to lien, penalty and interest, 30 days after the date on which they are due. Property taxes are recognized as revenue when levied by San Juan County Treasurer.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenses

Expenses are classified as operating or non-operating according to the following criteria:

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to District property, plant, and equipment.

Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses.

Tax Status

The income generated by the District is excluded from federal income taxes under section 115(a) of the Internal Revenue Code. The District is exempt under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Income generated from activities unrelated to the District's exempt purpose is subject to tax under Internal Revenue Code section 511.

Budgets

According to State statute, the District adopts and approves an annual nonappropriated budget adopted on a cash (non-GAAP) basis. Budgetary control is prepared at the level of account classification, and serves as a management control device. Once adopted, the Board is authorized to amend the budget at the account classification and fund level.

Use of Estimates

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – LEGAL COMPLIANCE - BUDGETS

Prior to December 1, the Business Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers comments. Prior to March 1, the budget is legally enacted through passage of a resolution.

The Business Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. Expenditures of the District may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

Budgets for proprietary enterprise funds are adopted on a cash (non-GAAP) basis.

NOTE 4 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statute requires that the bank deposits be 50% collateralized. At year end, the District was in compliance with state statute.

The carrying amount of the District's deposits was \$408,718 and the bank balance was \$415,271 as of December 31, 2017. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance of \$165,271 was covered by collateral held in the pledging financial institutions' trust department or agent but not in the District's name (\$39,676), and \$125,595 was uncollateralized and uninsured. The \$165,271 is considered to be a custodial credit risk because the collateral is not held in the District’s name.

NOTE 5 - RESTRICTED ASSETS

The following is a summary of restricted assets as of December 31, 2017:

Operations and maintenance account.....	\$ 40,982
Pump replacement.....	<u>49,505</u>
Total Restricted Assets.....	<u>\$ 90,487</u>

Certain resources set aside for their warranties, operations and equipment replacement, are classified as restricted assets on the balance sheet because their use is limited by applicable agreements. The "operations and maintenance" account is used to report resources set aside to fund operations and maintenance. The "pump replacement" account is used to report resources set aside to replace the pump in the future.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	<u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2017</u>
Non-depreciable assets...	\$ 58,760	\$ 162,455	\$ -	\$ 221,216
Project works & headquarters	12,781,824	-	-	12,781,824
Shop & maint. equip.....	218,480	-	-	218,480
Office equipment.....	3,467	-	-	3,467
Transportation equip.....	<u>100,256</u>	<u>70,854</u>	<u>-</u>	<u>171,110</u>
Total Depreciable	<u>13,104,027</u>	<u>70,854</u>	<u>-</u>	<u>13,174,881</u>
Less accumulated depreciation				
Project works & headquarters	4,618,275	262,812	-	4,881,087
Shop & maint. equip.....	180,324	7,162	-	187,486
Office equipment.....	3,257	210	-	3,467
Transportation equip.....	<u>86,233</u>	<u>6,560</u>	<u>-</u>	<u>92,793</u>
Total accumulated depreciation.....	<u>4,888,089</u>	<u>276,744</u>	<u>-</u>	<u>5,164,833</u>
Total	<u>\$ 8,274,698</u>	<u>\$ (43,435)</u>	<u>\$ -</u>	<u>\$ 8,231,263</u>

NOTE 7 - LONG-TERM DEBT

During the year ended December 31, 2017, the following changes occurred in long-term debt:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
N/P - Finance Company	\$ -	\$ -	\$ -	\$ -	\$ -
N/P - US Dept of Interior	<u>133,500</u>	<u>-</u>	<u>9,000</u>	<u>124,500</u>	<u>9,000</u>
Total	<u>\$ 133,500</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 124,500</u>	<u>\$ 9,000</u>

Note Payable - U.S. Department of Interior

The amount due to the United States Department of Interior, Bureau of Reclamation, dated October 1959, in the amount of \$450,000 payable in 50 annual installments of \$9,000, noninterest bearing, and beginning in 1982. The balance due as of December 31, 2017 was \$124,500.

The terms of the contract with the Department of Interior provides for repayment of principal only. Accordingly, no interest expense has been recorded or capitalized in the financial statements. The terms of the loan agreement require that the District maintain cash reserves as security for the debt, and for repairs and replacements. The District is in compliance with the reserve requirements as of December 31, 2017.

Long-term debt service requirements to maturity are as follows:

<u>Fiscal Year Ended</u>	<u>Finance Company</u>	<u>US Dept. Interior</u>	<u>Total</u>
December 31, 2018.....	-	9,000	9,000
December 31, 2019.....	-	9,000	9,000
December 31, 2020.....	-	9,000	9,000
December 31, 2021.....	-	9,000	9,000
December 31, 2022.....	-	9,000	9,000
December 31, 2023-2027.....	-	45,000	45,000
December 31, 2028-2031.....	-	34,500	34,500
Debt service requirements.....	-	124,500	124,500
Less current portion.....	-	(9,000)	(9,000)
Long-term debt, net.....	\$ -	\$115,500	\$115,500

NOTE 8 – NET POSITION

The restricted operation and maintenance asset is balanced by a restricted expendable net position amounting to \$40,982.

The restricted pump replacement asset is balanced by a restricted expendable net position amounting to \$49,505.

The District has designated \$84,565 to provide funds for repairs, replacement and maintenance of the assets of the District.

The following is a summary of reserved, designated and undesignated net position as of December 31, 2017:

Restricted per agreement:	
Operation and maintenance	\$ 40,982
Pump replacement	49,505
Total Restricted Expendable	<u>\$ 90,487</u>
Unrestricted:	
Designated for repairs and replacement ...	\$ 84,565
Undesignated net position	285,235
Total Unrestricted	<u>\$ 369,800</u>

NOTE 9 – RETIREMENT PLAN

The District has not elected to be included in the New Mexico Public Employees Retirement Fund (PERA) and does not have any retirement plan in place for its employees.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

Grants

The District receives financial assistance from federal and state sources in the form of grants and entitlements. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. In prior years, the District had their grants audited under the audit requirements of the Office of Management and Budgets Circular A-133. The Federal agencies reserve the right to review the scope of the audit and conduct a follow-up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of the General Fund or any other applicable District fund. The District, however, believes that liabilities resulting from disallowed claims, if any, will not have a material effect on the District's financial position at year end.

Litigation

In 2011 the District (and other ditch associations) contracted a law firm to appeal to the New Mexico Court of Appeals and the Supreme Court, a court ruling regarding the Navajo Water Claim. The legal fees are allocated to the District at a rate of \$3 per acre feet (3,900). A special levy of \$10 per acre was charged to land owners on an annual basis from 2011 through 2015.

Risk Management

The District has purchased commercial insurance that transfers risks of loss to an unrelated party. This coverage minimizes the District's retained risks of loss up to the policy limits.

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated events and transactions occurring subsequent to December 31, 2016 as of May 4, 2017, which is the date the financial statements were available to be issued. Subsequent events occurring after May 4, 2017 have not been evaluated by management. No material events have occurred since December 31, 2016 that require recognition or disclosure in the financial statements.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Charges for services	\$ 320,900	\$ 320,900	\$ 317,169	\$ (3,731)
Other	-	-	-	-
Total Operating Revenues	320,900	320,900	317,169	(3,731)
OPERATING EXPENSES:				
Personnel services:				
Salaries and wages	180,000	180,000	173,034	6,966
Payroll taxes	14,500	14,500	13,330	1,170
Other personnel expenses	3,000	3,000	3,000	-
Total Personnel Services	197,500	197,500	189,364	8,136
Maintenance, operations and contractual services:				
Advertising	-	-	-	-
Contract labor	2,000	2,000	22,523	(20,523)
Equipment repairs	18,000	13,000	10,813	2,187
Equipment rental	4,000	4,000	5,317	(1,317)
Insurance	26,100	26,100	22,787	3,313
Other	2,600	2,600	278	2,322
Postage	1,000	1,000	447	553
Professional fees	30,000	30,000	15,636	14,364
Repairs and maintenance	13,000	18,000	36,988	(18,988)
Telephone	5,500	5,500	5,666	(166)
Utilities	26,500	26,500	6,083	20,417
Total Maintenance, Operations and Contractual Services	128,700	128,700	126,538	2,162

STATE OF NEW MEXICO, HAMMOND CONSERVANCY DISTRICT (Continued)

STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Material and supplies:				
Chemicals	8,000	8,000	-	8,000
Fuel and oil	18,000	18,000	13,352	4,648
Shop supplies and tools	4,000	4,000	8,727	(4,727)
Office supplies	4,800	4,800	4,183	617
	<u>34,800</u>	<u>34,800</u>	<u>26,262</u>	<u>8,538</u>
Total Materials and Supplies				
	<u>361,000</u>	<u>361,000</u>	<u>342,164</u>	<u>18,836</u>
Total Operating Expenses				
	<u>(40,100)</u>	<u>(40,100)</u>	<u>(24,995)</u>	<u>15,105</u>
Operating Income (Loss)				
NONOPERATING REVENUES (EXPENSES):				
Long-term debt payment	(9,000)	(9,000)	(9,000)	-
Replacement reserves / capital expenditures	(30,000)	(30,000)	(233,309)	(203,309)
Interest income	500	500	129	(371)
Ad valorem taxes	78,600	78,600	74,083	(4,517)
Federal grants	-	-	-	-
	<u>40,100</u>	<u>40,100</u>	<u>(168,097)</u>	<u>(208,197)</u>
Total Nonoperating Revenues (Expenses)				
	<u>\$ -</u>	<u>\$ -</u>	<u>(193,092)</u>	<u>\$ (193,092)</u>
Change in Net Position (Budgetary Basis)				
RECONCILIATION TO CHANGE IN NET POSITION ON BASIC FINANCIAL STATEMENTS:				
Depreciation			(276,744)	
Capital expenditures			233,309	
Long-term debt payment			<u>9,000</u>	
Change in net position per basic financial statements			<u>\$ (227,527)</u>	

See accompanying notes and accountant's report.

OTHER INFORMATION

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HAMMOND CONSERVANCY DISTRICT, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
December 31, 2017

	Wells	
	<u>Fargo Bank</u>	<u>Total</u>
Demand deposits	\$ 293,685	\$ 293,685
Certificates of deposit	121,586	121,586
Deposits, at December 31, 2017	<u>415,271</u>	<u>415,271</u>
FDIC Insurance	371,586	371,586
Uninsured amount	<u>43,685</u>	<u>43,685</u>
Less 50 percent	21,843	21,843
Amount requiring pledged collateral	<u>21,843</u>	<u>21,843</u>
Pledged collateral at December 31, 2017	<u>39,676</u>	<u>39,676</u>
Excess (deficiency) of pledged collateral	<u><u>\$ 17,834</u></u>	<u><u>\$ 17,834</u></u>
Pledged collateral (market value) located at:	Minneapolis, MN	
FNMA FNMS 3%; 03/01/2043; #3138W36A6	\$ 39,676	\$ 39,676
	-	-
	<u> </u>	<u> </u>
Totals	<u><u>\$ 39,676</u></u>	<u><u>\$ 39,676</u></u>
Reconciliation to Financial Statements:		
Total per banks	\$ 415,271	\$ 415,271
Reconciling items:		
Deposits in transit	-	-
Outstanding checks	<u>(6,553)</u>	<u>(6,553)</u>
Total per financial statements	<u><u>\$ 408,718</u></u>	<u><u>\$ 408,718</u></u>

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