

STATE OF NEW MEXICO  
**HAMMOND CONSERVANCY DISTRICT**

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INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING OFFICE OF THE STATE AUDITOR TIER 6  
AGREED-UPON PROCEDURES  
YEAR ENDED DECEMBER 31, 2018

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INTRODUCTORY SECTION  
OF  
**HAMMOND CONSERVANCY DISTRICT**

AGREED-UPON PROCEDURES REPORT  
FISCAL YEAR 2018

JANUARY 1, 2018 THROUGH DECEMBER 31, 2018

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Year Ended December 31, 2018

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# OFFICIAL ROSTER

December 31, 2018

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## Board of Directors

Robert Spearman	President
Kevin Starks	Secretary / Treasurer
Daniel Ashburn	Director
Billy Mangum	Director
Timothy Ramsey	Director

## Administrative Employees

Teresa Lane	Manager
Kathi Smith	Manager
Timothy Moore	Ditch rider
John Rector	Ditch rider

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FINANCIAL SECTION  
OF  
**HAMMOND CONSERVANCY DISTRICT**  
AGREED-UPON PROCEDURES REPORT  
FISCAL YEAR 2018  
JANUARY 1, 2018 THROUGH DECEMBER 31, 2018

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INDEPENDENT ACCOUNTANTS' REPORT  
APPLYING AGREED-UPON PROCEDURES

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Hammond Conservancy District

We have performed the procedures enumerated below which were agreed to by Hammond Conservancy District (District) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, Budget, and Capital Outlay information and its compliance with Section 12-6-3 NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2018. The District is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

In accordance with Tier 6 of the Examination or review Act – Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. TIER CALCULATION

**Procedures**

- a) Verify the local public body's revenue calculation and tier determination documented on the forms provided at [www.osa.nm.org](http://www.osa.nm.org) under "Tiered System Reporting Main Page."

**Results of Procedures**

The tiered reporting is accurate for the Tier 6

2. CASH

**Procedures**

- b) 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.
  - a. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District.
- c) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD).
  - a. For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.
- d) Determine whether the local public body's financial institutions have 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.

**Results of Procedures**

In the testing of the bank accounts and whether they were complete and reconciled timely. 3 of 12 reconciliations were tested for accuracy and traced to the general ledger. One of the bank reconciliations was not completed in a timely manner. Financial reports were submitted to DFA without exception. 3 of 12 months were tested for uninsured bank balances. The financial institution pledged collateral for the funds deposited in the financial institution as required by state statute.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Hammond Conservancy District

### 3. CAPITAL ASSETS

#### **Procedure**

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

#### **Results of Procedure**

The District's perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

### 4. DEBT

#### **Procedure**

- 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.

#### **Results of Procedure**

The District loan payment was paid as required. The District keeps a reserve for the loan in the form of certificates of deposits.

### 5. REVENUE

#### **Procedures**

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.

Select a sample of revenues based on accountant's judgment and test using the following attributes:

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

#### **Results of Procedures**

Revenue was analytically tested and there were variances in tax distributions from expected and budgeted amounts. The receipts tested were 41%. The receipts were determined to be properly recorded as to amount, classification and period. The receipts were traced to the bank statements.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Hammond Conservancy District

## 6. EXPENDITURES

### Procedures

Select a sample of cash disbursements based on accountant's judgment 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 cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### Results of Procedures

Seventy disbursements were tested. Disbursements tested were accurate as to amount, payee, date and description, were properly authorized, and were in compliance with the budget, procurement code, and the Per Diem and Mileage Act, where applicable. No exceptions were noted. The District did not have a purchase order system in place. We tested fourteen payroll checks.

## 7. JOURNAL ENTRIES

### Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### Results of Procedures

Journal entries appeared to be reasonable. The journal entries did not show evidence of a review or approval process.

## 8. BUDGET

### Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

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

### Results of Procedures

The budget was reviewed and determined to be properly authorized by the District Board and certified by DFA-LGD. Expenditures did not exceed the budgeted amounts for the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis) are presented on pages 10 of this report.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Hammond Conservancy District

## 9. CAPITAL OUTLAY APPROPRIATIONS

### Procedures

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:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

### Results of Procedure

The disbursements for capital outlay was verified, was properly authorized and purchased according to a legal budget. The disbursement did not require any procurement other than 3 quotes. The District does not have a procurement officer. The District did not receive an award to pay for the capital outlay.

## 10. OTHER


### Procedure

- 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 (I) (3) (C) NMAC.

### Results of Procedures

Nothing else was noted that is required to be disclosed.

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 on the District's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures; other matters might have come to my attention that would have been reported to you. This report is intended solely for the information and use of State of New Mexico Hammond Conservancy District, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

  
Farmington, New Mexico  
April 29, 2019

SUPPLEMENTAL SECTION  
OF  
**HAMMOND CONSERVANCY DISTRICT**  
AGREED-UPON PROCEDURES REPORT  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

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## SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO  
**HAMMOND CONSERVANCY DISTRICT**

PROPRIETARY FUND

**Schedule of Revenues, Expenses, and Changes in Fund Net Position -  
 Budget and Actual (Non-GAAP Budgetary Basis)**

Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Operating revenue:</b>				
Water sales	\$ 184,700	\$ 184,700	\$ 181,524	\$ (3,176)
Ad valorem taxes	78,600	78,600	77,879	(721)
Other charges	83,700	83,700	81,090	(2,610)
Deed transfer fees	40,000	40,000	47,026	7,026
Other	12,500	12,500	4,140	(8,360)
Total operating revenue	399,500	399,500	391,659	(7,841)
<b>Operating expenses:</b>				
Salaries and benefits	194,500	194,500	190,517	3,983
Plant operations	49,500	49,500	38,507	10,993
Office expense	9,800	9,800	7,127	2,673
Contract labor	2,000	2,000	19,145	(17,145)
Supplies	4,000	4,000	5,122	(1,122)
Repairs and maintenance	19,000	19,000	12,293	6,707
Equipment rental	4,000	4,000	3,029	971
Insurance	29,100	29,100	24,204	4,896
Utilities	18,500	18,500	11,488	7,012
Legal and professional	30,000	30,000	16,219	13,781
Miscellaneous	600	600	95	505
Total operating expenses	361,000	361,000	327,746	33,254
<i>Income from operations</i>	38,500	38,500	63,913	25,413
<b>Non-Operating income (expenses)</b>				
Interest income	500	500	2,014	1,514
Interest expense	(39,000)	(39,000)	-	39,000
Total nonoperating revenues (expenses)	(38,500)	(38,500)	2,014	40,514
<i>Change in net position - budgetary basis</i>	\$ -	\$ -	65,927	\$ 65,927
<b>RECONCILIATION TO GAAP BASIS:</b>				
Depreciation			(306,682)	
<b>Change in net position</b>			\$ (240,755)	

**SUSANA MARTINEZ**  
GOVERNOR



**DUFFY RODRIGUEZ**  
CABINET SECRETARY

**RICK LOPEZ**  
DIRECTOR

**JOLENE SLOWEN**  
DEPUTY DIRECTOR

**STATE OF NEW MEXICO**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**LOCAL GOVERNMENT DIVISION**  
Bataan Memorial Building ♦ 407 Galisteo St. ♦ Suite 202 ♦ Santa Fe, NM 87501  
PHONE (505) 827-4950 ♦ FAX (505) 827-4948

March 21, 2018

Kent Roberts  
President  
Hammond Conservancy District  
790 Road 4990  
Bloomfield NM 87413

Dear Mr. Roberts:

The final budget for your local government entity for Calendar Year 2018, as approved by your governing body, has been examined and reviewed. The Department of Finance and Administration, Local Government Division (LGD) finds it has been developed in accordance with applicable statutes and budgeting guidelines, and sufficient resources appear to be available to cover budgeted expenditures. In addition, the Tiered System rule, 2.2.2.16 NMAC, requires that your entity's Agreed Upon Procedures for Calendar Year 2016 should have been submitted to the Office of the State Auditor as of this time. The LGD's information indicates that you are in compliance with this requirement. Therefore, in accordance with Section 6-6-2(E) NMSA 1978, the LGD certifies your entity's final Calendar Year 2018 budget.

Budgets approved by the LGD are required to be made a part of the minutes of your governing body in compliance with Section 6-6-5 NMSA 1978. In addition, Section 6-6-6 NMSA 1978 provides that the approved budget is binding on local officials and governing authorities, and any official or governing authority approving claims or paying warrants in excess of the approved budget or available funds will be liable for the excess amounts. Furthermore, state statute requires all revenue sources be expended only for public purposes, and if applicable, in accordance with the Procurement Code, Chapter 13, Article 1, NMSA 1978. Use of public revenue is also governed by Article 9, Section 14 of the Constitution of the State of New Mexico, commonly referred to as the anti-donation clause.

**Finally, as required by Section 6-6-2(H), NMSA 1978, LGD is required to approve all budget increases and transfers between funds not included in the final approved budget.**

If you have any questions regarding this matter, please call Tom Dixon of my staff at 505-827-8059.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Lopez".

Rick Lopez, Director  
Local Government Division

xc: file

**INSTRUCTIONS:** Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.  
 Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.  
 Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. *THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.*  
 Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals column.

**Name:** Hammond Conservancy District.

**Mailing Address:**

**Email Address:**

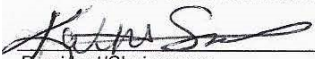
**Phone number:**

**Calendar Year**

**2018**

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
<b>Beginning balances:</b>								
<b>Cash</b>	277,098							
<b>Savings</b>	10,028							
<b>CDs</b>	121,578							
<b>Investments</b>	100							
<b>Beginning Balance TOTAL</b>	<b>\$ 408,804</b>							
<b>REVENUES</b>								
Water, Levies O&M, Water Bank, Account Charge, Other Income, Crossing Application Fee, Permits, Ad Valorem Tax, Interest Income, Deed Transfer Fee	400,000	176,906	170,722	26,054	14,673	388,355	11,645	97%
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
<b>TOTAL</b>	<b>\$ 400,000</b>	<b>176,906</b>	<b>170,722</b>	<b>26,054</b>	<b>14,673</b>	<b>388,355</b>	<b>11,645</b>	<b>97%</b>
<b>EXPENDITURES</b>								
Canal Repairs & Maintenance, Chemicals, Contract Labor, Equipment Rental, Equipment Repairs & Maintenance, Freight Expense, Fuel & Oil, Miscellaneous Expense, Permits & Fees, Shop & House Repairs, Shop Supplies & Tools, Salaries & Wages O&M, Telephone Expense (Cellular), Utilities Expense (Pump), Advertising Expense, Mileage Expense, Office Equipment & Software, Office Supplies, Postage Expense, Salaries & Wages Office, Telephone Expense, Utilities Expense, Bad Debt Expense, Professional Fees, Replace Reserve, Payroll Tax Expense O&M, Payroll Tax Expense Office, Insurance Group & Life, Insurance Expense (W/C), Insurance Expense (G/L, Auto, Equipment)	391,000	91,770	87,199	104,797	62,269	346,035	44,965	89%
BOR Contract Payment	9,000				9,000	9,000	0	100%
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
						0	0	-
<b>Loans</b>								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 400,000</b>	<b>91,770</b>	<b>87,199</b>	<b>104,797</b>	<b>71,269</b>	<b>355,035</b>	<b>44,965</b>	<b>89%</b>
<b>Ending Balance</b>	<b>408,804</b>					<b>442,124</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 408,804</b>					<b>\$ 442,124</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

  
 President/Chairperson

1-14-19  
 Date

Approved  
January 4, 2018

**2018 OPERATING BUDGET  
HAMMOND CONSERVANCY DISTRICT**

790 ROAD 4990  
BLOOMFIELD, NM 87413  
01/01/2018 - 12/31/2018

<b>REVENUES</b>	<b>Budget 2018</b>
LEVIES O & M	\$78,600.00
WATER	\$102,600.00
WATER BANK	\$1,500.00
AD VALOREM TAX	\$78,600.00
CROSSING APPLICATION FEE	\$1,500.00
DEED TRANSFER FEE	\$40,000.00
PERMITS	\$2,000.00
ACCOUNT CHARGE	\$83,700.00
INTEREST INCOME	\$500.00
OTHER INCOME	\$11,000.00
<b>TOTAL REVENUES</b>	<b>\$400,000.00</b>
<b>OPERATING EXPENSES</b>	
<b>O&amp;M EXPENSES</b>	
CANAL REPAIRS & MAINTENANCE	\$16,000.00
CHEMICALS	\$11,000.00
CONTRACT LABOR	\$2,000.00
EQUIPMENT RENTAL	\$4,000.00
EQUIPMENT REPAIRS & MAINTENANCE	\$18,000.00
FREIGHT EXPENSE	\$500.00
FUEL & OIL	\$18,000.00
INSURANCE EXPENSE (W/C)	\$8,600.00
MISCELLANEOUS EXPENSE	\$1,000.00
PAYROLL TAX EXPENSE O&M	\$10,000.00
PERMITS & FEES	\$500.00
SHOP & HOUSE REPAIRS	\$1,000.00
SHOP SUPPLIES & TOOLS	\$4,000.00
SALARIES & WAGES O&M	\$125,000.00
TELEPHONE EXPENSE (CELLULAR)	\$4,000.00
UTILITIES EXPENSE (PUMP)	\$10,000.00
<b>TOTAL O&amp;M EXPENSES</b>	<b>\$233,600.00</b>
<b>OFFICE EXPENSES</b>	
ADVERTISING EXPENSE	\$0.00
INSURANCE GROUP & LIFE	\$3,000.00
MILEAGE EXPENSE	\$100.00
MISCELLANEOUS EXPENSE	\$500.00
OFFICE EQUIPMENT & SOFTWARE	\$3,000.00
OFFICE SUPPLIES	\$1,800.00
POSTAGE EXPENSE	\$1,000.00
PAYROLL TAX EXPENSE OFFICE	\$4,500.00
SALARIES & WAGES OFFICE	\$55,000.00
TELEPHONE EXPENSE	\$2,500.00
UTILITIES EXPENSE	\$8,500.00
<b>TOTAL OFFICE EXPENSES</b>	<b>\$79,900.00</b>
<b>GENERAL EXPENSES</b>	
BAD DEBT EXPENSE	\$0.00
BOR CONTRACT PAYMENT	\$9,000.00
INSURANCE EXPENSE (G/L, AUTO, EQUIP)	\$17,500.00
PROFESSIONAL FEES	\$30,000.00
<b>TOTAL GENERAL EXPENSES</b>	<b>\$56,500.00</b>
 <b>REPLACE RESERVES</b>	 <b>\$30,000.00</b>
 <b>TOTAL EXPENSES</b>	 <b>\$400,000.00</b>
 <b>BUDGET BALANCE</b>	 <b>\$0.00</b>

# HAMMOND CONSERVANCY DISTRICT (HCDACT)

## Detailed Balance Sheet

As of: 12/31/2018

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### Assets

CASH-WELLS FARGO BANK	310,470.27
ACCOUNTS RECEIVABLE	7,531.87
ALLOWANCE FOR BAD DEBT	(812.97)
PETTY CASH	100.00
PREPAID INSURANCE	17,351.07
DUE FROM SAN JUAN COUNTY	43,520.13
C/D WFB #5764554894 (1/27/19)	82,254.29
C/D WFB #5764554902 (1/27/19)	41,100.68
PUBLIC DOMAIN PROJECT WORKS	12,796,208.13
SHOP & MAINTENANCE EQUIPMENT	218,478.77
OFFICE EQUIP & FURNITURE	4,781.20
TRANSPORTATION EQUIPMENT	171,110.49
WORK IN PROGRESS	221,215.59
ACCUM/DEPRECIATION	(5,164,832.93)

### Total Assets

**\$8,748,476.59**

### Liabilities

CURRENT PORTION/NOTES PAYABLE	9,000.00
NOTE PAYABLE - US INTERIOR	115,500.00
LESS CURRENT PORTION	(9,000.00)

### Total Liabilities

**\$115,500.00**

### 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	(3,515,751.27)
CONTRIBUTED CAPITAL SALINITY	11,934,991.46
Net Income / (Loss)	\$65,926.63

### Net Worth

**\$8,632,976.59**

### Total Liabilities and Net Worth

**\$8,748,476.59**

# HAMMOND CONSERVANCY DISTRICT (HCDACT)

## Detailed Income Statement

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01/01/2018 to 12/31/2018

Page 1

### Income

LEVIES - O & M	77,545.20
WATER - 1	101,080.33
WATER BANK	1,099.62
AD VALOREM TAX - O & M	77,878.60
PERMIT - HAMMOND	1,800.00
ACCOUNT CHARGE	81,090.00
DEED TRANSFER FEE INCOME	47,026.00
INTEREST INCOME	2,013.82
LATE FEES	275.00
OTHER INCOME	3,865.45

### Total Income

**\$393,674.02**

### Expenses

CANAL REPAIRS & MAINT	4,470.95
CHEMICALS	18,094.00
CONTRACT LABOR	19,145.25
EQUIPMENT RENTAL	3,029.30
EQUIPMENT REPAIRS & MAINT	11,036.44
FUEL & OIL	13,153.57
INSURANCE EXPENSE	21,204.00
INSURANCE/GROUP & LIFE	3,000.00
PAYROLL TAX EXPENSE	18,073.95
PERMITS & FEES	148.43
PROFESSIONAL FEES	16,219.15
SALARIES & WAGES	86,882.25
SHOP/HOUSE REP & MAINT	1,256.93
SHOP SUPPLIES & TOOLS	5,122.37
TELEPHONE EXPENSE	3,631.94
TELEPHONE EXPENSE/CELLULAR	2,640.51
UTILITIES EXPENSE	6,693.09
UTILITIES EXPENSE - PROPANE	4,794.63
OFFICE EQUIPMENT & SOFTWARE	2,018.82
OFFICE SUPPLIES	648.75
OTHER EXPENSES/GENERAL	95.40
POSTAGE EXPENSE	827.02
PAYROLL TAX EXPENSE	6,080.24
SALARIES & WAGES	79,480.40

### Total Expenses

**\$327,747.39**

### Net Income / (Loss)

**\$65,926.63**



# SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2018

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## I. CURRENT YEAR FINDINGS

2018 – 001 NO QUALIFIED PROCUREMENT OFFICER  
*Other Non-Compliance*

Condition: The District does not have a registered procurement officer to oversee that the district is in compliance with the procurement requirements.

Criteria: According to NMSA 1978 Section 13-1-95.2 E only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code.

Cause: The District is a small entity and was not aware that a procurement officer was required.

Effect of condition: Violation of NMSA 1978 Section 13-1-95.2 E, where the District needs to have a procurement officer in order to authorize both small purchases and large purchases.

Recommendation: Management should implement immediate steps to get someone registered as a procurement officer.

Management's response: The District will obtain the services of a procurement officer..

Person/positions responsible for overseeing corrective actions: Office manager

Timeline for corrective actions: By December 31, 2019.

## II. PRIOR YEAR FINDINGS

There were no prior year findings.

## SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2018

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The financial statements were prepared by the independent public accountants.

An exit conference was held May 13, 2019 during which the audit findings were discussed. The exit conference was attended by the following individuals:

### Hammond Conservancy District

Kevin Starks  
Teresa Lane

Board Member  
Office Manager

### ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA

Partner

STATE OF NEW MEXICO  
**HAMMOND CONSERVANCY DISTRICT**

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COMPILED FINANCIAL REPORT  
WITH  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT  
YEAR ENDED DECEMBER 31, 2018

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INTRODUCTORY SECTION  
OF  
**HAMMOND CONSERVANCY DISTRICT**  
COMPILED FINANCIAL REPORT  
FISCAL YEAR 2018  
JANUARY 1, 2018 THROUGH DECEMBER 31, 2018

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Year Ended December 31, 2018

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### BASIC FINANCIAL STATEMENTS:

	Statement of Net Position – Proprietary Fund
	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

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# OFFICIAL ROSTER

December 31, 2018

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## Board of Directors

Robert Spearman	President
Kevin Starks	Secretary / Treasurer
Daniel Ashburn	Director
Billy Mangum	Director
Timothy Ramsey	Director

## Administrative Employees

Teresa Lane	Manager
Kathi Smith	Manager
Timothy Moore	Ditch rider
John Rector	Ditch rider

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FINANCIAL SECTION  
OF  
**HAMMOND CONSERVANCY DISTRICT**

COMPILED FINANCIAL REPORT  
FISCAL YEAR 2018  
JANUARY 1, 2018 THROUGH DECEMBER 31, 2018

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Hammond Conservancy District

Management is responsible for the accompanying financial statements of the business-type activities of Hammond Conservancy District (the District) which comprise the Statement of Net Position – Proprietary Fund, as of the year ended December 31, 2018, and the related Statement of Revenues, Expenses, and Change in Net Position – Proprietary fund, and Statement of Cash Flows – Proprietary Fund for the year then ended, and the related notes to the financial statements in accordance with Section 2.2.2.16 New Mexico Administrative Code (NMAC).

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.

In order to comply with the requirements of Section 12-6-3(B) NMSA, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principals generally accepted in the United States of America (GAAP): The statement of cash flows – proprietary funds and the disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America

Management has elected to omit the related disclosures that are required by accounting principles generally accepted in the United States. If the omitted statements and disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, or provide any form of assurance on such information

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
April 29, 2019

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BASIC FINANCIAL STATEMENTS  
OF  
**HAMMOND CONSERVANCY DISTRICT**

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

STATE OF NEW MEXICO  
**HAMMOND CONSERVANCY DISTRICT**

PROPRIETARY FUND  
**Statement of Net Position**  
December 31, 2018

**Assets**

Current assets:

Cash and cash equivalents	\$ 310,570
Accounts receivable (net of allowance of \$813.00)	50,240
Prepaid fees	<u>17,351</u>
Total current assets	<u>378,161</u>

Noncurrent assets:

Investments	123,355
Capital assets:	
Buildings and irrigation system	13,017,424
Equipment and furniture	394,370
Less: accumulated depreciation	<u>(5,471,515)</u>
Total noncurrent assets	<u>8,063,634</u>

**Total Assets**

\$ 8,441,795

**Liabilities**

Current liabilities:

Loans payable - current portion	\$ 9,000
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Noncurrent liabilities:

Loans payable (less current portion)	<u>106,500</u>
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**Total Liabilities**

115,500

**Net Position**

Net investment in capital assets	7,824,779
Unrestricted	<u>501,516</u>

**Total Net Position**

8,326,295

**Total Liabilities and Net Position**

\$ 8,441,795

See accompanying notes and accountant's report.



STATE OF NEW MEXICO  
HAMMOND CONSERVANCY DISTRICT

PROPRIETARY FUND  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended December 31, 2018

<b>Operating revenue:</b>	
Wares sales	\$ 181,524
Ad valorem taxes	77,879
Other charges	81,090
Deed transfer fees	47,026
Other	<u>4,140</u>
<b>Total operating revenue</b>	<u>391,659</u>
<b>Operating expenses:</b>	
Salaries and benefits	190,517
Plant operations	38,507
Office expense	7,127
Supplies	5,122
Contract labor	19,145
Repairs and maintenance	12,293
Equipment rental	3,029
Insurance	24,204
Utilities	11,488
Legal and professional	16,219
Miscellaneous	95
Depreciation	<u>306,682</u>
<b>Total operating expenses</b>	<u>634,428</u>
<i>Operating income (loss)</i>	(242,769)
<b>Non-Operating income (expenses):</b>	
Interest income	<u>2,014</u>
<i>Change in net position</i>	<u>(240,755)</u>
<b>Net position - beginning</b>	<u>8,567,050</u>
<b>Net position - ending</b>	<u>\$ 8,326,295</u>

See accompanying notes and accountant's report.

STATE OF NEW MEXICO  
**HAMMOND CONSERVANCY DISTRICT**

PROPRIETARY FUND  
**Statement of Cash Flows**  
Year ended December 31, 2018

<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 376,563
Cash payments to employees	(190,517)
Cash payments for supplies and maintenance	<u>(138,254)</u>
<b>Net cash Provided by (used in) operating activities</b>	<u>47,792</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Operating grants	<u>-</u>
<b>Cash Flows From Capital And Related Financing Activities</b>	
Purchases of capital assets	(15,698)
Principal paid on debt	<u>(9,000)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(24,698)</u>
<b>Cash Flows From Investing Activities</b>	
Deposits to restricted cash	(1,769)
Interest and dividends received	<u>2,014</u>
<b>Net cash Provided by (used in) investing activities</b>	<u>245</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	23,339
<b>Cash and cash equivalents at beginning of the year</b>	<u>287,231</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>\$ 310,570</u></u>
<b>Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities</b>	
Operating income (loss)	<u>\$ (242,769)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	306,682
(Increase) decrease in:	
Customer receivables	(15,096)
Prepaid fees	<u>(1,025)</u>
Total adjustments	<u>290,561</u>
<b>Net cash Provided by (used in) operating activities</b>	<u><u>\$ 47,792</u></u>
<b>Noncash investing and financing activity:</b>	
Accrued interest payable	<u>\$ -</u>

See accompanying notes and accountant's report.

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Hammond Conservancy District (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.

The District's financial statements include all financial information over which the Board of Directors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Hammond Conservancy District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### B. Proprietary 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.

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's enterprise fund is charges to customers for sales and services. Operating expense for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

### C. Assets, Liabilities, and Net Position or Equity

#### 1. *Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest on non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

#### 2. *Accounts Receivable*

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

#### 3. *Capital assets*

The District's policy is to capitalize all disbursements for equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

ESTIMATED USEFUL LIVES	
ASSETS	YEARS
Project Works & Buildings	10 - 50
Office equipment	7 - 10
Shop Equipment	5 - 10
Vehides	5 - 7

#### 4. *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.

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

#### 5. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

##### a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

##### b. Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

##### c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of “net investment in capital assets” or “restricted.”

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

#### 6. *Revenues*

Land within the District is statutorily classified as Class A (irrigable) and Class B (un-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.

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.

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 nonexchange transactions, such as a) capital grants; and b) investment income.

#### 7. *Sales Tax*

Various states and other taxing authorities impose a gross receipts tax (or similar tax) on the District’s sales to nonexempt customers. The District collects the tax from customers and remits the entire amount to the various taxing authorities. The District’s accounting policy is to exclude the tax remitted to the taxing authorities from revenues and cost of sales.

#### 8. *Ad Velorum Tax*

Taxes are collected through the county and remitted to the District. The taxes are based on a fixed amount to property owners that are receiving services from the District.

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

#### 9. *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 nonexchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses.

#### 10. *Budgets*

According to State statute, the District adopts and approves an annual non-appropriated 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.

Prior to December 1, the Board of Directors adopts 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. Prior to March 1, the budget is enacted through passage of a board resolution.

The Board 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 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.

#### 11. *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.

#### 12. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. Accordingly, the District did not have any tax abatements effecting the District during the year ended December 31, 2018.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

### II. DETAILED NOTES ON ALL FUNDS

#### A. Cash and Temporary Investments

##### Cash and equivalents

Reconciliation of bank balances to the financial statements:

	BALANCE
<b>Financial institution:</b>	
Wells Fargo Bank	\$ 437,987
<b>Cash on hand</b>	100
<b>Less:</b>	
Investments	(123,355)
Net reconciling items	(4,162)
<b>Total cash and equivalents</b>	<b>\$ 310,570</b>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

At December 31, 2018, the carrying amount of the District's deposits was \$310,570 and the bank balance was \$437,987 with the difference consisting of outstanding checks. Of this balance \$373,355 was covered by federal depository insurance and \$34,352 was covered by collateral held in joint safekeeping by a third party.

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of December 31, 2018, none of the District's bank balance of was exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
<b>Bank deposits:</b>			
Uninsured and uncollateralized	\$ 30,280	\$ -	\$ 30,280
Uninsured and collateral held by pledging bank's trust dept not in the Cooperative's name	34,352	-	34,352
Total uninsured	64,632	-	64,632
Insured (FDIC)	373,355	-	373,355
Total deposits	<b>\$ 437,987</b>	<b>\$ -</b>	<b>\$ 437,987</b>
<b>State of New Mexico collateral requirement:</b>			
50% of uninsured public fund bank deposits	\$ 32,316	\$ -	\$ 32,316
Pledged security	34,352	-	34,352
Over collateralization	<b>\$ 2,036</b>	<b>\$ -</b>	<b>\$ 2,036</b>

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. The following is the collateral pledged:

	MATURITY	CUSIP	MARKET VALUE
<b>Wells Fargo Bank:</b>			
FNMA	2/1/2047	3138WJXP8	\$ 34,352

The pledged securities are held at Bank of New York Mellon in New York City, New York.



# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

## II. DETAILED NOTES ON ALL FUNDS (cont'd)

### A. Cash and Temporary Investments (cont'd)

The following is a list of accounts held by the District:

	<u>BANK BALANCE</u>
<b>Wells Fargo Bank:</b>	
Checking - Interest	\$ 314,632
Certificate of deposit	41,101
Certificate of deposit	<u>82,254</u>
	<u>\$ 437,987</u>

#### Investments

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a written policy for limiting interest rate risk.

##### Credit Risk

Credit risk is the risk that an issuer or other counter

party to an investment will not fulfill its obligations. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. The District's investments are in time deposits or investments guaranteed by the U.S. government and therefore are excluded from this requirement.

##### Custodial Credit Risk – Investments

As of December 31, 2018, the District's investments are in certificates of deposit of \$250,000 or less, or U.S. Government Securities or securities secured by the U.S. Federal Government. Therefore, the District is not subject to custodial credit risk.

The District investments held in certificated of deposits as follows:

Current assets:	
Investments	\$ -0-
Non-current assets:	
Investments	<u>123,355</u>
	<u>\$ 123,355</u>

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

### II. DETAILED NOTES ON ALL FUNDS (cont'd)

#### B. Capital Assets

Capital assets activity for the year ended December 31, 2018 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
<b>Business-type activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 221,216	\$ -	\$ (221,216)	\$ -
<u>Capital assets being depreciated:</u>				
Buildings	-	-	-	-
Project works and buildings	12,781,825	14,383	221,216	13,017,424
Office equipment	3,467	-	-	3,467
Shop equipment	218,479	-	-	218,479
Vehicles	171,110	-	-	171,110
<i>Total capital assets being depreciated</i>	<u>13,174,881</u>	<u>14,383</u>	<u>221,216</u>	<u>13,410,480</u>
Less accumulated depreciation for:				
Project works and buildings	(4,881,087)	(279,444)	-	(5,160,531)
Office equipment	(3,467)	-	-	(3,467)
Shop equipment	(187,486)	(7,003)	-	(194,489)
Vehicles	(92,793)	(20,234)	-	(113,027)
<i>Total accumulated depreciation</i>	<u>(5,164,833)</u>	<u>(306,681)</u>	<u>-</u>	<u>(5,471,514)</u>
Total capital assets being depreciated, net	<u>8,010,048</u>	<u>(292,298)</u>	<u>221,216</u>	<u>7,938,966</u>
<b>Total capital assets, net</b>	<u>\$ 8,231,264</u>	<u>\$ (292,298)</u>	<u>\$ -</u>	<u>\$ 7,938,966</u>

#### C. Liabilities

**Note Payable – U.S. Department of Interior:** Installment note payable dated October 1959, in the amount of \$450,000 payable in 50 annual installments of \$9,000, noninterest bearing, and beginning in 1982.

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, 2018.

Changes in long term debt – During the year ended December 31, 2018 the following changes occurred in liabilities:

	BEGINNING			ENDING	DUE WITHIN
	BALANCE	ADDITIONS	RETIREMENTS	BALANCE	ONE YEAR
N/P - US Dept of Interior	\$ 124,500	\$ -	\$ 9,000	\$ 115,500	\$ 9,000

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

## II. DETAILED NOTES ON ALL FUNDS (cont'd)

### A. Cash and Temporary Investments (cont'd)

Annual debt service requirements to maturity for notes payable are as follows:

YEAR ENDING DECEMBER 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2019	\$ 9,000	\$ -	\$ 9,000
2020	9,000	-	9,000
2021	9,000	-	9,000
2022	9,000	-	9,000
2023	9,000	-	9,000
2024 - 2028	45,000	-	45,000
2029 - 2033	25,500	-	25,500
Total	<u>\$ 115,500</u>	<u>\$ -</u>	<u>\$ 115,500</u>

## III. OTHER INFORMATION

### A. 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.

### B. Employee 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.

### C. Subsequent Events

Subsequent events were evaluated through April 29, 2019 which is the date the financial statements were available to be issued.