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6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

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**STATE OF NEW MEXICO
MIDDLE RIO GRANDE
CONSERVANCY DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S
REPORT**

June 30, 2018 and 2017

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT**

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Official Roster
June 30, 2018

JUDGES OF THE DISTRICT COURT
SECOND JUDICIAL DISTRICT OF THE STATE OF NEW MEXICO

Honorable William Parnall	Division No. 1
Honorable Stan Whitaker	Division No. 2
Honorable Brett R. Loveless	Division No. 3
Honorable Beatrice J. Brickhouse	Division No. 4
Honorable Nancy J. Franchini	Division No. 5
Honorable Briana Zamora	Division No. 6
Honorable John J. Romero Jr.	Division No. 7
Honorable Cristina T. Jaramillo	Division No. 8
Honorable Cindy Leos	Division No. 9
Honorable Christina Argyres	Division No. 10
Honorable Gerard Lavelle	Division No. 11
Honorable Clay Campbell	Division No. 12
Honorable Valerie A. Huling	Division No. 13
Honorable Marie Ward	Division No. 14
Honorable Alan Malott	Division No. 15
Honorable Carl Butkus	Division No. 16
Honorable Nan G. Nash	Division No. 17
Honorable Denise Barela-Shepherd	Division No. 18
Honorable Benjamin Chavez	Division No. 19
Honorable Jacqueline Flores	Division No. 20
Honorable Alisa Hart	Division No. 21
Honorable Deborah Davis Walker	Division No. 22
Honorable Shannon Bacon	Division No. 23
Honorable Debra Ramirez	Division No. 24
Honorable Jane Levy	Division No. 25
Honorable Charles Brown	Division No. 26
Honorable Victor Lopez	Division No. 27

BOARD OF DIRECTORS

	<u>Position No.</u>	<u>County</u>
Glen Duggins, Chairman	1	At-Large
Derrick J. Lente, Vice-Chair	7	Sandoval
John Kelly	2	Bernalillo
Karen Dunning	3	Bernalillo
Joaquin Baca	4	Bernalillo
Beverly Dominguez Romero	5	Valencia
Valerie Moore	6	Socorro

OFFICERS

Mike Hamman	CEO / Chief Engineer
David M. Fergeson	Secretary/Treasurer
Jeanette Bustamante	Administrative Officer
Wiggins, Williams & Wiggins	General Counsel
Law & Resource Planning Associates	Chief Water Counsel



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6200 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccicpa.com

Independent Auditor's Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico and
The Board of Directors of the
Middle Rio Grande Conservancy District and
Mr. Wayne Johnson, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of the Middle Rio Grande Conservancy District, (District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2018 and 2017 and the respective changes in financial position and the respective budgetary comparisons for the general fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the actuarial valuation for MRGCD's postemployment health plan was revised resulting in a retroactive restatement. Additionally, during the year ended June 30, 2017 the District adopted GASBS No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenditures. Changes adopted to conform to the provisions of this statement require a retroactive restatement. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, GASBS 68 required supplementary pension schedules on pages 58-60, and the GASBS 75 OPEB schedule on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the District's financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund that collectively comprise the District's basic financial statements. The accompanying schedule of cash accounts and pledged collateral as of June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of cash accounts and pledged collateral at June 30, 2018 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of cash accounts and pledged collateral at June 30, 2018 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
December 10, 2018

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

The Middle Rio Grande Conservancy District (District) operates, maintains and manages irrigation, drainage, and river flood control in the Middle Rio Grande Valley. Additional information about the District and its mission can be found in Note 1. The District relies solely on the revenues it collects from ad valorem assessments (through the county treasurers), water service charges, water bank fees and miscellaneous revenue it collects from contracts with governmental entities and others. The District must also manage our expenses within these revenues and any reserves available. The District increased the ad valorem mill and water service charge rates again for FY 19 to meet the operating needs and to provide capital funding.

The District continues to seek other funding sources for projects and non-recurring expenditures. The District sought funding from the New Mexico Finance Authority (NMFA) to assist in the purchase of vehicles and heavy duty equipment during the past fiscal year. NMFA approved the funding and the loan closed on July 27, 2018.

The District's management discussion and analysis will provide an overview of the District's financial activities and management's decisions that have impacted the financial activities. Continuing the theme from prior years, Mike Hamman, CEO and Chief Engineer continues to seek and work with federal grant funding to help with water distribution, to study the impact of drought conditions, creating irrigation system and on-farm efficiencies to reduce the amount of water needed to both deliver water to and use by farmers while continuing to meet their demand for quality crop production. The FY 18 irrigation season was a difficult one due to the lack of snow melt and the District work diligently with our federal partners, the tribes and water storage to manage the water and thus maximize the irrigation waters for our constituents.

During the last two fiscal years, strong efforts have been made to purchase new vehicles and heavy equipment to place the aging equipment and fleet. The District spent just over \$2 million in FY 18, is borrowing \$2.7 million in FY 19 and will spend about \$650 thousand in FY 19 funds. Management will continue to seek ways to replace more of the aging fleet and to look at the aging infrastructure as well as improving productivity through implementation of best business practices and eliminating inefficiencies.

This annual report consists of two types of financial statements, Government-Wide and Fund Financial Statements.

Government-Wide Financial Statements

Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position provides information on the entire District's assets and liabilities while the Statement of Activities reflects all the District's revenues and expenses for the current year regardless of when cash is received or paid.

Fund Financial Statements

Fund financial statements include the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances and provides more detailed information for the reader about how services were financed in the short-term as well as what remains for future spending. Fund financial statements provide detail about the District's most significant funds. This discussion and analysis should be read in conjunction with the financial statements.

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

The following table presents the Statement of Net Position and the Statement of Activities in a condensed format. Explanations of some of the significant changes in these statements follow the table.

Condensed Financial Information				
STATEMENT OF NET POSITION				
	FY 2018	FY 2017		Percent Change
ASSETS				
Current and other short term assets	\$ 26,518,310	\$ 26,258,029	▲	0.99%
Long term assets	2,063,533	2,303,533	▲	-10.42%
Capital assets, net of depreciation	25,170,378	23,911,896	▲	5.26%
Total Assets	▲ 53,752,221	▲ 52,473,458	▲	2.44%
DEFERRED OUTFLOWS OF RESOURCES	2,902,400	5,142,135	▲	-43.56%
LIABILITIES				
Current liabilities	1,301,768	1,319,575	▲	-1.35%
Long-term liabilities excluding net pension liability	10,249,852	10,255,071	▲	-0.05%
Net pension liability	12,596,234	14,946,142	▲	-15.72%
Total Liabilities	▲ 24,147,854	▲ 26,520,788	▲	-8.95%
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	78,004	-		100.00%
Deferred inflows related to pensions & OPEB	▲ 1,955,329	1,126,279	▲	73.61%
Total Deferred inflows	▲ 2,033,333	1,126,279	▲	80.54%
NET POSITION				
Invested in capital assets	25,055,496	23,789,507	▲	5.32%
Unrestricted	5,417,938	6,179,019	▲	-12.32%
Total Net Position	▲ \$30,473,434	▲ \$29,968,526	▲	1.68%
STATEMENT OF ACTIVITIES				
REVENUES				
Program revenues	\$ 3,343,059	\$ 2,847,974	▲	17.38%
General revenues	18,149,013	17,802,908	▲	1.94%
Total revenues	▲ 21,492,072	▲ 20,650,882	▲	4.07%
EXPENSES				
Public works	20,987,164	20,649,659	▲	1.63%
CHANGE IN NET POSITION	▲ 504,908	▲ 1,223	▲	41184.38%
NET POSITION, BEGINNING OF YEAR				
Restatement - See Note 13	-	(1,623,375)	▲	-100.00%
NET POSITION, END OF YEAR	▲ \$30,473,434	▲ \$29,968,526	▲	1.68%

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

The financial position of the District continues to improve due to increases in ad valorem and water service charge rates that have allowed us to increase our cash position which is critical to improving the District infrastructure. The District has been able to fund ongoing projects with the United States Army Corps of Engineers, to purchase equipment, and maintain a balanced budget without having to rely on cash reserves.

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION

ASSETS

- Total Assets increased by \$1.3 during the fiscal year and is explained in further detail below.
- Current and other short term assets reflected a net increase of \$ 260,281 or a less than 1% increase. However, cash and investments increased by \$473,367 while the Ad Valorem and Water Service Charge receivables decreased by \$107,782 and other short term assets accounted for the difference. The increase in cash is attributed to the ad valorem and water service charge rate increases.
- Capital assets, net of depreciation, increased by 5.3% or \$1.3 million. Assets totaling over \$2 million were purchased with the difference attributed to the increase in depreciation.

LIABILITIES

- Total liabilities are down 8.9% and can be attributed to the net pension liability decreasing by 15.72% or \$2.3 million. Additionally, the vouchers payable decreased by \$135 thousand but were offset by an increase in the short term portion of the accrued compensated balances of \$86 thousand.

FINANCIAL HIGHLIGHTS - STATEMENT OF ACTIVITIES

Total revenues increased by 4 % due to the rate increases. This ad valorem revenue increase was not as high as expected and research is being conducted to determine the cause. Specifically Valencia County reflected a very small decrease in revenues when compared to FY 17 instead of an expected increase.

Program Expenses in FY 18 were up \$just over \$300 thousand. The District was able to control costs and use these savings to purchase much needed equipment in the fiscal year and keep expenses within 1.6 % of the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares its budget each year using historical information combined with knowledge of activities planned for the following year. The budget undergoes internal scrutiny and adjustment by the Treasurer and the CEO. It is then submitted to the Finance Committee before going to the Board of Director's for review and approval. Once the budget is adopted by the Board, it is submitted to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for approval. The preliminary budget must be submitted by June 1st of each year and the final budget submitted by July 31st of the same year along with unaudited prior year financial statements approved by the board. The DFA must approve the budget prior to its legal enactment. The original fiscal year budget as presented was approved by the District's Board of Directors and DFA. The expenditures of the general fund may not legally exceed the budget. The District does not adopt a legal budget for the special revenue fund as this fund only receives revenue from land sales which are infrequent and therefore difficult to budget.

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

The budgetary comparisons are presented on a non-GAAP budgetary basis. For the fiscal year ended June 30, 2018, the District's budget projected a surplus of revenues over expenditures of \$461,930.

Budget to Actual (Non-GAAP Budgetary Basis) General Fund:

For the fiscal year ended June 30, 2018, actual revenues were \$21,706,477. Compared to the budget of \$22,568,377, the District was under its estimate by \$861,900. This was due primarily to grant revenue not meeting expectations and revenues expected from the federal government not materializing.

For the fiscal year ended June 30, 2018, actual expenditures were \$21,219,733 while budgeted expenditures were \$22,106,447 resulting in a favorable variance of \$886,714.

In summary, even though revenues did not materialize as projected, costs were monitored closely at year end to ensure the District ended the year in a positive position. The actual revenues exceeded the actual expenditures by \$486,744 which was \$24,814 higher than projected.

DISTRICT HIGHLIGHTS

Change in Mill Rate

- On May 21, 2018 the District's Board of Directors increased the mill rate levy to \$5.0693 for residential customers and \$6.3334 for non-residential customers effective with the assessments mailed out in the later part of 2018. They also increased the water service charge from \$40 per acre to \$43 per acre beginning with calendar year 2019.
- District management believes these rate increases had to be implemented to keep revenues in line with recurring operating costs and to allow for much needed improvements to the District infrastructure. Management continues to monitor its expenses and to keeping them in line with needs and requirements of operations. Rate increases were recommended by management to the Board of Directors and approved. Funding for non-recurring and major capital needs are being looked at separately and alternative funding sources are being sought. This is discussed in further detail in the Asset Management Plan below.

Ongoing District Commitments

- The District continues to work with the United States Department of the Army (government) on various projects. Currently the District is working on a flood damage reduction project from Bernalillo to Belen, on a Middle Rio Grande Restoration Project, and the Rio Grande Environmental Management Plan from Sandia to Isleta. The Bernalillo section 205 feasibility project is on hold at this time but could resurface in the future. These projects are discussed in detail in Note 12 of the Financial Statements.

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

District Contingencies

- The District also continues to work with the United States Government to settle the title claim issue related to ownership of district facilities. District employees and legal advisors participated in the development of a new Biological Opinion related to the silvery minnow, southwestern willow flycatcher, and yellow billed cuckoo. The new biological opinion was issued in December 2016. Both of these issues are detailed in Note 11 – Contingencies.

Asset Management Plan

- The District continues to work on its asset management plan for its aging vehicles and equipment. Over \$2 million was used from the FY 18 budget to purchase vehicles and equipment. In addition, the District worked with the New Mexico Finance Authority (NMFA) to borrow \$2,7 million at a low interest rate over 10 years to purchase heavy equipment and light trucks as part of its asset management plan. The Board approved entering into the loan during fiscal year 18 and the loan closed on July 27, 2018. The equipment has been identified and ordered. As part of the requirement of receiving a loan from the NMFA, the district must pledge revenues to cover the required loan payments. The District is also required to make monthly payments on the loan and those payments began in November of 2018.

Outstanding Receivable from the Corp of Engineers

- The District has an outstanding receivable from the United States Department of the Army related to the Albuquerque West Levee project. The balance at the end of FY 18 has been reduced to \$2,063,533. After the fiscal year end, the District received \$1.053 million which reduces the outstanding amount to \$1 million however, this is not reflected in the FY 18 financial information. The District expects to receive additional cash but may also receive in-kind contributions for future projects with the Department of the Army. The District has an offsetting liability to Bernalillo County and AMFACA to repay them \$638,428. Bernalillo County has agreed to forego all but 10% of their cash payment on the first reimbursement and instead to have the District hold these funds to use on a future project. The District is working with AMAFCA and Bernalillo County on repayments from the latest monies received.

San Acacia to Bosque del Apache Levee Project

- In August 2014, the District, as the official sponsor, along with the New Mexico Interstate Stream Commission and the United States Department of the Army signed a project partnership agreement for this project. This project is expected to replace approximately 43 miles of spoil bank along the west bank of the Rio Grande with an engineered levee. Non-federal sponsors which include the District have invested over \$8.9 million into this project. The first Phase of this project that protects the City of Socorro reach has been finished and will be turned over to the District for maintenance within one year. The other phases have been placed on hold as the government is focusing on other priority areas as described in Note 12.

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

Contract with the Bureau of Indian Affairs

- The District and BIA have a contract to perform operations and maintenance on the Six Middle Rio Grande Pueblos' facilities on trust lands. The contract began March 2016 and goes through February 2019 but can be extended for two one year terms. Payment provision requires a minimum annual payment for services rendered that includes upward adjustments scaled to ad valorem and water service charge increases over time. The District and BIA are currently working on extending the contract through February 28, 2020.

Inventory Monitoring and Reduction

- The management team continues to look at the inventory on hand and how it can be reduced. Inventory decreased by \$ 53,754 in the past year which is not as significant reduction as anticipated but management remains committed to reviewing inventory and to reduce it to essential levels. This will be an ongoing effort.

Accrued Compensated Balances

- The accrued compensated balances were \$20 thousand lower than the prior fiscal year. As discussed in prior years, the Board of Directors, at the request of CEO, approved a three year plan to buy down the annual leave portion of this liability and to cap the annual leave carryover balances at 240 hours per employee. Employees are no longer be allowed to carryover 'large' annual leave balances unless there are extenuating circumstances and the carryforward has been approved by the Human Resources Director and the CEO. The three payouts have been completed and the balances are being monitored to ensure they do not continue to rise as before.

Five Year Plan

- The District management continues with its' plan that will assist in the budgeting process and also the direction for the entire District. Managers continue to look at infrastructure and equipment needs for the next five years and develop a strategy for these needs which can be incorporated into a blueprint for the District operations. The plan is ongoing and will help inform management and the Board about out-year operating budgets and capital outlay needs.

State of New Mexico
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Required Supplementary Information)

Economic Factors and Next Year's Budget

The approved budget for fiscal year 2019 expenditures is \$25,651,630 while revenues are projected to be \$25,582,013. This includes the revenues anticipated from the loan from the NMFA. This is the second consecutive year that does not require the district to set aside funds from reserves to meet its' obligations. This budget projects a surplus of \$69,617. This can be attributed to the rate increases finally bringing revenues closer to operational needs.

The District is also working to locate additional revenue sources such as state and federal grants to help in the budget process.

CONTACTING DISTRICT MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, and other stakeholders a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Middle Rio Grande Conservancy District
1931 Second Street SW
PO Box 581
Albuquerque, NM 87103
(505) 247-0234

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION
June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,353,077	2,996,530
Investment in Local Government Investment Pool	19,544,219	19,427,399
Current receivables, net:		
Ad valorem assessments, net of allowance of \$170,879 and \$200,154	2,171,669	2,293,278
Water service and delinquency charges, net of allowance of \$213,400 and \$213,400	359,174	345,347
Government Contracts		
Federal	140,154	300,652
Local	13,810	-
Interest receivable	25,582	11,756
Other receivable	91,204	9,892
Material and supply inventories, at cost	819,421	873,175
Contract receivable from United States Department of the Army due after one year	2,063,533	2,303,533
Capital assets		
Land	456,999	456,999
Construction in progress	5,093,685	5,081,753
Depreciable property, equipment, and infrastructure, net of accumulated depreciation	19,619,694	18,373,144
Total assets	53,752,221	52,473,458
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	2,109,265	4,373,249
Employer contributions subsequent to measurement date	793,135	768,886
Total deferred outflows of resources	2,902,400	5,142,135
LIABILITIES		
Vouchers payable	197,089	332,639
Accrued payroll and related benefits payable	482,050	468,589
Other liabilities	65,400	46,707
Accrued compensated absences:		
Payable within one year	549,703	464,133
Payable after one year	284,072	389,758
Note payable:		
Payable within one year	7,526	7,507
Payable after one year	107,356	114,882
Payable to local governments, due after one year	638,428	811,770
Net pension liability	12,596,234	14,946,142
Net OPEB liability, payable after one year	9,219,996	8,938,661
Total liabilities	24,147,854	26,520,788
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	78,004	-
Deferred inflows related to pensions	1,122,345	436,715
Deferred inflows related to OPEB	832,984	689,564
Total deferred inflows of resources	2,033,333	1,126,279
NET POSITION		
Net investment in capital assets	25,055,496	23,789,507
Unrestricted	5,417,938	6,179,019
Total net position	\$ 30,473,434	29,968,526

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
Program Expenses		
Public works:		
Personnel services	\$ 8,440,548	8,202,519
Employee benefits	4,750,452	5,134,728
Contractual operating and maintenance services	665,048	1,268,158
Field expenses	2,366,231	1,872,623
General and administrative expenses	3,576,861	2,983,008
Interest expense	306	325
Depreciation	1,389,143	1,378,523
Bad debt expense	160,498	-
Internal costs capitalized	(361,923)	(190,225)
Total program expenses	20,987,164	20,649,659
Program Revenues		
Charges for services:		
Water services assessments	1,976,653	1,842,793
Program specific operating grants:		
Federal	481,844	721,843
Local	496,286	283,338
Program specific capital grants:		
Federal	388,276	-
Total program revenues	3,343,059	2,847,974
Net program expense	(17,644,105)	(17,801,685)
General revenues		
Ad valorem assessments	17,017,628	16,742,151
Delinquency charges	237,262	290,740
Transfers in - severance tax appropriation	-	-
Investment income	218,870	86,487
Gain on equipment and property removal	25,751	74,132
Gain on land sales and water bank leases	422,368	411,779
Other revenue	227,134	197,619
Total general revenues	18,149,013	17,802,908
Increase in net position	504,908	1,223
Net position, beginning of year, as originally reported	29,968,526	31,590,678
Restatement - OPEB Revision	-	(1,623,375)
Net position, beginning of year, as restated	29,968,526	29,967,303
Net position, end of year	\$ 30,473,434	29,968,526

The Notes to the Financial Statements are an integral part of this statement.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018 with Comparative 2017 Totals**

	Governmental Funds			
	General	Special Revenue	Total 2018	Total 2017
ASSETS				
Cash and cash equivalents	\$ 2,114,972	1,238,105	3,353,077	2,996,530
Investment in Local Government Pool	12,952,592	6,591,627	19,544,219	19,427,399
Current receivables, net:				
Ad valorem assessments, net of allowance of \$212,140 and \$170,879	2,171,669	-	2,171,669	2,293,278
Water service and delinquency charges, net of allowance of \$237,500 and \$216,400	359,174	-	359,174	345,347
Governmental Contracts				
Federal, net of allowance of \$160,498 and \$0	140,154	-	140,154	300,652
Local	13,810	-	13,810	-
Interfund receivable	-	-	-	-
Interest receivable	25,582	-	25,582	11,756
Other receivables	91,204	-	91,204	9,892
Material and supply inventories, at cost	819,421	-	819,421	873,175
Prepaid expenses	-	-	-	-
Contract receivable from United States				
Department of Army, due after one year	2,063,533	-	2,063,533	2,303,533
Total assets	\$ 20,752,111	7,829,732	28,581,843	28,561,562
LIABILITIES				
Vouchers payable	\$ 197,089	-	197,089	332,639
Accrued payroll and related benefits payable	482,050	-	482,050	468,589
Interfund payable	-	-	-	-
Other liabilities	65,400	-	65,400	46,707
Payable to local governments, due after one year	638,428	-	638,428	811,770
Total liabilities	1,382,967	-	1,382,967	1,659,705
DEFERRED INFLOWS OF RESOURCES				
Revenue not available to pay current period expenditures	3,847,541	-	3,847,541	4,025,172
Total liabilities and deferred inflows of resources	5,230,508	-	5,230,508	5,684,877
FUND BALANCES				
Nonspendable inventory and prepaids	819,421	-	819,421	873,175
Committed	-	7,225,396	7,225,396	7,223,893
Assigned	3,768,105	604,336	4,372,441	3,983,616
Unassigned	10,934,077	-	10,934,077	10,796,001
Total fund balances	15,521,603	7,829,732	23,351,335	22,876,685
Total liabilities, deferred inflows of resources and fund balances	\$ 20,752,111	7,829,732	28,581,843	28,561,562

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEETS (CONTINUED) GOVERNMENTAL FUNDS
June 30, 2017**

	General	Special Revenue	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,760,170	1,236,360	2,996,530
Investment in Local Government Pool	12,835,772	6,591,627	19,427,399
Current receivables, net:			
Ad valorem assessments, net of allowance of \$170,879	2,293,278	-	2,293,278
Water service and delinquency charges, net of allowance of \$216,400	345,347	-	345,347
Governmental Contracts			
Federal	300,652	-	300,652
Local	-	-	-
Interfund receivable	-	-	-
Interest receivable	11,756	-	11,756
Other receivables	9,892	-	9,892
Material and supply inventories, at cost	873,175	-	873,175
Prepaid expenses	-	-	-
Contract receivable from United States Department of Army, due after one year	2,303,533	-	2,303,533
Total assets	\$ 20,733,575	7,827,987	28,561,562
LIABILITIES			
Vouchers payable	\$ 332,639	-	332,639
Accrued payroll and related benefits payable	468,589	-	468,589
Interfund payable	-	-	-
Other liabilities	46,707	-	46,707
Payable to local governments, due after one year	811,770	-	811,770
Total liabilities	1,659,705	-	1,659,705
DEFERRED INFLOWS OF RESOURCES			
Revenue not available to pay current period expenditures	4,025,172	-	4,025,172
Total liabilities and deferred inflows of resources	5,684,877	-	5,684,877
FUND BALANCES			
Nonspendable inventory and prepaids	873,175	-	873,175
Committed	-	7,223,893	7,223,893
Assigned	3,379,522	604,094	3,983,616
Unassigned	10,796,001	-	10,796,001
Total fund balances	15,048,698	7,827,987	22,876,685
Total liabilities, deferred inflows of resources and fund balances	\$ 20,733,575	7,827,987	28,561,562

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO
THE STATEMENTS OF NET POSITION
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Total fund balances (Balance sheet)	\$ 23,351,335	22,876,685
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,170,378	23,911,896
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	3,769,537	4,025,172
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds	1,780,055	4,705,420
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds	(832,984)	(689,564)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued compensated absences	(833,775)	(853,891)
Note payable	(114,882)	(122,389)
Net pension liability	(12,596,234)	(14,946,142)
Obligation for postemployment benefits	(9,219,996)	(8,938,661)
Total net position (statement of net position)	\$ 30,473,434	<u>29,968,526</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT STATEMENTS OF
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2018 with
Comparative Totals for the Year Ended June 30, 2017

	General	Revenue	Governmental Funds	
			Total 2018	Total 2017
Revenues				
Ad valorem assessments	\$ 17,172,724	-	17,172,724	16,367,087
Water service assessments	1,962,647	-	1,962,647	1,831,912
Delinquency charges	237,262	-	237,262	290,740
Investment income	218,375	495	218,870	86,487
Contracts with governmental entities				
Federal	721,844	-	721,844	1,042,094
Local	289,476	-	289,476	509,346
Operating and capital grants				
Federal	482,476	-	482,476	-
Other	227,134	-	227,134	197,619
Water bank leases	421,118	-	421,118	407,753
Land sales	-	1,250	1,250	4,026
Total revenues	21,733,056	1,745	21,734,801	20,737,064
Expenditures				
Public works				
Current operations	18,992,387	-	18,992,387	17,588,984
Capital outlays	2,293,923	-	2,293,923	552,120
Debt service:				
Principal	7,507	-	7,507	7,488
Interest	306	-	306	325
Total expenditures	21,294,123	-	21,294,123	18,148,917
Excess (deficiency) of revenues over expenditures	438,933	1,745	440,678	2,588,147
Other Finance Sources (Uses)				
Equipment disposition proceeds	33,972	-	33,972	108,897
Total other financing sources (uses)	33,972	-	33,972	108,897
Increase (decrease) in fund balances	472,905	1,745	474,650	2,697,044
Fund balances, beginning of year	15,048,698	7,827,987	22,876,685	20,179,641
Fund balances, end of year	\$ 15,521,603	7,829,732	23,351,335	22,876,685

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
Year Ended June 30, 2017**

	General	Special Revenue	Governmental Funds
Revenues			
Ad valorem assessments	\$ 16,367,087	-	16,367,087
Water service assessments	1,831,912	-	1,831,912
Delinquency charges	290,740	-	290,740
Investment income	85,994	493	86,487
Contracts with governmental entities			
Federal	1,042,094	-	1,042,094
Local	509,346	-	509,346
Capital grants	-	-	-
Other	197,619	-	197,619
Water bank leases	407,753	-	407,753
Land sales	-	4,026	4,026
Total revenues	20,732,545	4,519	20,737,064
Expenditures			
Public works			
Current operations	17,588,984	-	17,588,984
Capital outlays	552,120	-	552,120
Debt service:			
Principal	7,488	-	7,488
Interest	325	-	325
Total expenditures	18,148,917	-	18,148,917
(Deficiency) excess of revenues over expenditures	2,583,628	4,519	2,588,147
Other Finance Sources (Uses)			
Transfers in - severance tax appropriation	-	-	-
Equipment disposition proceeds	108,897	-	108,897
Loan proceeds	-	-	-
Total other financing sources (uses)	108,897	-	108,897
(Decrease) increase in fund balances	2,692,525	4,519	2,697,044
Fund balances, beginning of year	12,356,173	7,823,468	20,179,641
Fund balances, end of year	\$ 15,048,698	7,827,987	22,876,685

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Increase (decrease) in fund balances (statement of revenues, expenditures and changes in fund balances)	\$ 474,650	2,697,044
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlay as expenditures, while in the statements of activities the cost of these assets is capitalized.		
Capital outlay	2,293,923	552,120
Internal costs capitalized	361,923	190,225
Governmental funds do not report depreciation expense which is recorded in the statements of activities.	(1,389,143)	(1,378,523)
Costs of assets capitalized under construction in progress in prior periods were redistributed to expense by USACE. This expense was not previously capitalized in governmental funds.	-	(600,000)
In the statements of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net position differs from the change in fund balances by the net book value of assets disposed.	(8,221)	(34,765)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds, net of prior year effect.	(255,636)	(160,314)
Governmental funds do not report the net change in compensated absences	20,116	114,415
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repaid	7,507	7,488
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	793,135	768,886
Pension expense	(1,368,591)	(1,628,920)
Governmental funds do not report the net change in other postemployment benefits		
OPEB Liability	(281,335)	35,948
Deferred inflows related to OPEB	(143,420)	(562,381)
Increase in net position (statement of activities)	<u>\$ 504,908</u>	<u>1,223</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad Valorem	\$ 17,444,270	17,444,270	17,172,723	(271,547)
Water Service Charge	1,981,276	1,981,276	1,962,828	(18,448)
Ad Valorem Interest	275,000	275,000	237,262	(37,738)
Water Bank Fee	389,500	389,500	421,118	31,618
Interest on Investments	60,000	60,000	218,375	158,375
Contract with Federal Government Entities	721,843	721,843	721,844	1
Contract with Local Government Entities	286,264	286,264	388,276	102,012
Operating and Capital Grants	1,179,724	1,179,724	309,135	(870,589)
Other	230,500	230,500	274,916	44,416
Total revenues	22,568,377	22,568,377	21,706,477	(861,900)
Expenditures				
Personnel Services	8,887,200	8,677,162	8,460,665	216,497
Employee Benefits	3,814,862	3,853,552	3,571,836	281,716
Employee Costs	294,370	235,056	198,995	36,061
Services	162,407	1,229,564	1,158,556	71,008
General & Administrative Expenses	301,532	663,054	637,078	25,976
Technology & Communication	561,600	426,330	405,421	20,909
Bank and Other Fees	31,500	21,945	21,945	-
Ad Valorem Collection Fee	367,000	366,180	361,298	4,882
Debt Payments	-	7,813	7,813	-
Utilities	107,200	105,864	98,566	7,298
Facility O & M	492,100	458,574	449,816	8,758
Division Expense	442,000	397,393	368,312	29,081
Vehicle & Equipment O&M	1,387,762	1,333,034	1,292,851	40,183
Federal O&M Services	736,294	665,917	665,048	869
Capital Outlays	1,369,850	2,374,714	2,364,701	10,013
Operation and Capital Grants	802,465	869,481	824,963	44,518
Special Projects	886,639	420,814	331,869	88,945
Total expenditures	22,106,447	22,106,447	21,219,733	886,714
(Deficiency) excess of revenues over expenditures	461,930	461,930	486,744	24,814
(Decrease) increase in fund balance - non-GAAP budgetary basis			\$ 486,744	
Change in:				
Ad valorem receivables			(182)	
Unavailable revenue			(112,610)	
Encumbrances			98,953	
Increase (decrease) in fund balance - GAAP basis			<u>\$ 472,905</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 15,944,110	15,944,110	16,368,688	424,578
Water service assessments	1,899,852	1,899,852	1,984,008	84,156
Delinquency charges	270,000	270,000	284,613	14,613
Investment income	30,000	30,000	85,994	55,994
Contracts with governmental entities	1,114,943	1,114,943	1,231,189	116,246
Operating and capital grants	188,000	188,000	320,251	132,251
Other	327,050	327,050	507,181	180,131
Total revenues	<u>19,773,955</u>	<u>19,773,955</u>	<u>20,781,924</u>	<u>1,007,969</u>
Expenditures				
Current Operations				
Personnel services	8,731,115	8,731,115	8,317,399	413,716
Employee benefits	4,088,118	4,088,118	3,751,350	336,768
Contractual operating and maintenance services	668,156	668,156	668,158	(2)
Field expenses	2,060,175	2,060,175	1,818,890	241,285
General and administration expense	3,244,364	3,244,364	2,580,254	664,110
Capital outlays	1,204,600	1,204,600	1,728,176	(523,576)
Grants	108,000	108,000	67,980	40,020
Special projects	-	-	446,481	(446,481)
Debt payments	-	-	7,813	(7,813)
Total expenditures	<u>20,104,528</u>	<u>20,104,528</u>	<u>19,386,501</u>	<u>718,027</u>
(Deficiency) excess of revenues over expenditures	<u>(330,573)</u>	<u>(330,573)</u>	<u>1,395,423</u>	<u>1,725,996</u>
(Deficiency) excess of revenues over expenditures and other sources (uses)	<u>\$ (330,573)</u>	<u>(330,573)</u>	<u>1,395,423</u>	<u>1,725,996</u>
Prior year fund balance budget basis	<u>\$ 330,573</u>	<u>330,573</u>		
(Decrease) increase in fund balance - non-GAAP budgetary basis			\$ 1,395,423	
Change in:				
Ad valorem receivables			380,085	
Water service receivables			22,401	
Other receivables			-	
Unavailable revenue			(385,945)	
Encumbrances			1,313,536	
Capital asset changes not included in budget			(10,723)	
Other			(22,252)	
Increase (decrease) in fund balance - GAAP basis			<u>\$ 2,692,525</u>	

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 1. ORGANIZATION

The Middle Rio Grande Conservancy District ("District") was created in 1923 under the provisions of the Conservancy Act of New Mexico for the purpose of maintaining flood protection, river control, drainage, and water storage for supplementing irrigation needs, constructing and maintaining a distribution system for irrigation and other improvements for public health, safety, convenience and welfare. The District is a political subdivision of the State of New Mexico and a body corporate with all the powers of a public or municipal corporation and operated under an elected Board of Directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The accompanying financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These statements include:

- Presentation of management's discussion and analysis ("MD&A") which provides an analysis of the District's overall financial position and results of operations.
- Presentation of financial statements prepared using full accrual accounting for all District activities including reporting capital assets and related depreciation.

Other significant accounting policies of the District are discussed below.

Reporting Entity

The District's basic financial statements include the accounts of all District operations which are financially accountable to the Board of Directors. The District has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information based on the District as a whole. Interfund activity is eliminated in the government-wide financial statements.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The statement of net position incorporates long-term assets and receivables and deferred outflows of resources, as well as long-term debt and obligations, and deferred inflows of resources. The District's net position is reported in three parts - invested in capital assets net of related debt and deferred inflows of resources, if any; restricted net position (none at June 30, 2018 or 2017); and unrestricted net position.

The statement of activities indicates the degree to which the direct expenses of a given function are offset by program revenues. Gross expenses (including depreciation) are reduced by program revenues directly associated with the functions. Program revenues include: (1) water service assessments to property owners who have irrigation access, (2) contract revenue from governmental entities to finance operation and maintenance of District infrastructure, (3) operating and capital grants, if any, which finance specific operating and construction activities, (4) other revenue with a program nature.

The net cost (by function) is normally covered by general revenues (ad valorem assessments, delinquency charges, investment income, and other gains and losses). The District does not currently employ indirect cost allocation systems.

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The District's activities are all governmental activities and the District did not have proprietary or fiduciary funds during the years ended June 30, 2018 or 2017. There are no non-major funds.

The fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (1) demonstrate legal compliance, (2) demonstrate the source and use of liquid resources, and (3) demonstrate how the District's actual experience conforms to the budget plan. Since the fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented which briefly explain the differences between the fund financial statements and the government-wide financial statements.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Fund Accounting

The financial activities of the District are recorded in individual funds, each of which is considered to be a separate accounting entity with a self-balancing set of accounts. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the year that are expected to be paid back within the year are included in inter-fund receivable/payable in the accompanying balance sheet. The District's financial activities have been classified into the following governmental funds:

- General Fund — This fund is the operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Fund — This fund accounts for the receipt of monies from the sale of District land. Withdrawals are limited to the direct expenses associated with the sale of land. Effective January 29, 2013, the Board of Directors directed that proceeds of water bank leases, which had previously been accounted for in the Special Revenue Fund, be accounted for in the General Fund. Authority is board resolution.

Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Ad valorem assessments, water service assessments, grant revenue, and contract revenue are considered available if they are collected within thirty days of the current fiscal year end. Investment income is considered available when earned. Delinquency charges and other revenue are generally considered measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' annual leave is recorded when paid.
- Debt payments are recorded when paid.
- Other post-employment benefits are recorded when paid.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts.

The District is authorized to deposit its money in banks, savings and loan associations or credit unions whose accounts are insured by an agency of the United States Government. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's investment pool.

Custodial credit risk is the risk that in the event of bank failure the District's deposit may not be returned. Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the District's name.

At June 30, 2018, the carrying amount of the District's cash deposits was \$3,353,077 and the bank balance on these accounts was \$3,634,249. Funds in the amount of \$3,134,249 as of June 30, 2018 were exposed to custodial risk due to being uninsured and were collateralized with securities held by the banks' trust departments not in the District's name.

At June 30, 2017, the carrying amount of the District's cash deposits was \$2,996,530 and the bank balance on these accounts was \$3,348,637. Funds in the amount of \$2,848,637 as of June 30, 2017 were exposed to custodial risk due to being uninsured and were collateralized with securities held by the banks' trust departments not in the District's name.

C. Investments

The District's investment policy does not formally address investment interest rate and credit risks.

The District's investment in the Local Government Investment Pool at June 30, 2018 and 2017 consists of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (LGIP). Participation in the LGIP is voluntary. Investments totaling \$19,544,219 and \$19,427,399 are stated at fair value based on quoted market value as of June 30, 2018 and 2017, respectively.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investments (Continued)

The LGIP was established in 1991 as a short-term investment and is not registered with the SEC. The State Treasurer, with advice and consent of the State Board of Finance is authorized to invest the short-term investment funds in accordance with sections 6-10-10 I through P and sections 6-10-10.1 A and E, NMSA 1978. The LGIP does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned by the LGIP is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the LGIP and the length of time the amounts in the LGIP were invested.

Credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. With respect to credit risk, the LGIP is rated AAAM by Standard and Poor's as of June 30, 2018 and 2017. Public funds are not required to disclose custodial credit risk for external investment pools, therefore the LGIP is exempt from this disclosure.

Concentration risk. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk, therefore, the LGIP is exempt from this disclosure.

Foreign currency risk. GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. At June 30, 2018 and 2017, the LGIP does not have any foreign currency risk as all investments are denominated in U.S dollars.

Interest rate risk. GASB Statement No. 40 defines interest rate risk as the potential that changes in interest rates may adversely affect the fair value of an investment. According to the Statement, an acceptable method for reporting interest rate risk is the weighted average maturity (WAM). The WAM is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2018, the LGIP's WAM (R) was 50 days and the WAM (F) was 100 days. At June 30, 2017, the LGIP's WAM (R) was 58 days and the WAM (F) was 106 days.

The District records the interest earned by the special revenue fund's investment in the LGIP in the general fund. This amounted to \$84,859 and \$34,251 during the years ended June 30, 2018 and 2017, respectively. The total interest earned in the Pool was \$212,482 and \$78,415 for the years ended June 30, 2017 and 2016, respectively.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Inventories

Inventories consist of expendable supplies and repair parts. Inventories are valued on an average cost basis. The cost of supplies and repair parts is recorded as an expense/expenditure when the items are used.

E. Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported in the government-wide financial statements. In accordance with 12-6-10 NMSA 1978, capital assets, other than infrastructure, are defined by the District as assets which have a cost of \$5,000 or more at the date of acquisition. Items on the capital asset listing that were capitalized under previous thresholds can be removed from the capital asset listing. Infrastructure is defined by the District as long-lived capital assets that are normally stationary in nature such as dams, canals, laterals, acequias, waste ways, levees, and riverside and interior drains having a cost of \$100,000 or more and a useful life of 50 years or more.

Capital assets purchased, constructed or acquired are carried at historical cost or estimated historical cost. The District capitalizes purchased software and has no internally developed software. Donated capital assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs are expensed as incurred.

The majority of the District's infrastructure was constructed or acquired prior to July 1, 1980, and has not been valued. It is management's belief that the net book value of these assets would not be material due to accumulated depreciation. Infrastructure which was built and improved since July 1, 2002 has been capitalized. The District has determined that no infrastructure which meets the District's infrastructure asset policy was purchased, constructed or acquired from July 1, 1980 to July 1, 2002. In addition, the majority of the District's intangible assets, consisting primarily of water rights, was acquired prior to July 1, 1980, and has not been valued.

The District's capital assets include land associated with infrastructure assets. The land underneath and around all major facilities has been recorded at estimated historical cost. The District has been granted easements for right-of-way associated with some of their waterways, which have been recorded as land and at estimated historical costs.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets (Continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The District estimates the useful lives of capital assets as follows:

Buildings and improvements	50 years
Office furniture and equipment	5-10 years
Computer software	7 years
Engineering equipment	10 years
Communication equipment	10 years
Motor vehicles and trailers	6-10 years
Weed and pest control equipment	5-10 years
Heavy field equipment	15 years
Shop and field equipment	10 years
Infrastructure equipment	20 years
Infrastructure	50 years

F. Employee Benefits

Compensated Absences

Qualified employees are entitled to accumulate annual leave which is payable to the employee upon termination or retirement. Employees earn annual leave at the rate of twelve days per year for the first five years of service, eighteen days per year for service of five to twenty years, and twenty four days per year for over twenty years of service. The maximum accrual of annual leave is 240 hours unless approved by the District's Chief Engineer. At June 30, 2018 and 2017, accrued vested annual leave totaled \$591,726 and \$478,886, respectively.

Qualified employees are entitled to accumulate sick leave, which may be converted upon retirement or termination to annual leave. Employees earn sick leave at the rate of twelve days per year. Employees who have twenty years of service and who are eligible for the Public Employee's Retirement Act benefits may convert sick leave to annual leave at the rate of three for two. Otherwise, sick leave hours in excess of 250 hours may be converted to annual leave hours at the rate of three for one. Sick leave hours in excess of 500 hours may be converted to annual leave hours at the rate of two for one. Sick leave hours in excess of 800 hours may be converted to annual leave hours at the rate of three for two. In accordance with GASB Statement No. 16, the District has estimated its accrued sick leave liability according to the vesting method in which benefits have been accrued only for those employees who are currently eligible to receive sick leave termination benefits as well as employees who are expected to become eligible in the future to receive such benefits. At June 30, 2018 and 2017, accrued vested sick leave totaled \$190,046 and \$295,732 respectively.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee Benefits (Continued)

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2018 and 2017, accrued vested compensatory leave totaled \$25,103 and \$44,602, respectively. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year. At June 30, 2018 and 2017, accrued vested holiday leave totaled \$26,900 and \$34,671, respectively.

The government-wide financial statements present the cost of accumulated annual leave, sick leave, compensatory time, and holiday leave as a liability, valued at the current rate of pay.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

As further described in Note 10 to the financial statements, the District provides postemployment benefits ("OPEB") to qualifying employees upon their retirement.

Deferred Compensation Plan

Employees may elect to participate in a noncontributory deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all employees, who may defer up to 25% of gross compensation, subject to Internal Revenue Code limits. The employees make contributions to the plan through payroll withholdings. All contributions withheld from participants by the District are paid to a third party who administers the plan.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports pension contributions made subsequent to the measurement date in this category.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pensions in this category.

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including workers' compensation insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage during the years ended June 30, 2018 or 2017.

I. Fund Balances

The District reports fund balances in the following categories:

- Non-spendable — amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted — amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed — amounts that can only be used for specific purposes pursuant to formal action of the government's highest decision making authority.
- Assigned — amounts that are intended to be used for specific purposes, but are neither restricted nor committed.
- Unassigned — remaining general funds balances not restricted, committed, or assigned.

The District's Board of Directors is its highest level of decision-making authority. In order to establish committed fund balances, the Board would be required to take formal action, such as passing a Board resolution. Management of the District is authorized to designate fund balances that the District intends to use for specific purposes.

The general fund assigned fund balance includes the amount necessary to balance the budget for the subsequent fiscal year, and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the subsequent fiscal year, and the amount of encumbered funds pertaining to the budget for the respective fiscal year. The special revenue assigned fund balance includes accumulated amounts from prior year collections on District water bank leases.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Balances (Continued)

The District through Board Resolution has earmarked funds received from the sale of excess District land to form an endowment for the District. These amounts are reported as committed.

The fund balance classifications of the governmental funds as of June 30, 2018, were as follows:

	General Fund	Special Revenue Fund
Fund balances:		
Nonspendable:		
Inventories	\$ 819,421	-
Prepaid items	-	-
Total nonspendable	<u>819,421</u>	<u>-</u>
Committed to:		
Endowment	-	<u>7,225,396</u>
Assigned to:		
Balance 2019 budget	-	-
1/12 of 2019 budget	2,131,834	-
2018 encumbered funds	1,636,271	-
Water bank fund and reserve	-	<u>604,336</u>
Total assigned	<u>3,768,105</u>	<u>604,336</u>
Unassigned	<u>10,934,077</u>	<u>-</u>
Total fund balances	<u>\$ 15,521,603</u>	<u>7,829,732</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Balances (Continued)

The fund balance classifications of the governmental funds as of June 30, 2017, were as follows:

	General Fund	Special Revenue Fund
Fund balances:		
Nonspendable:		
Inventories	\$ 873,175	-
Prepaid items	-	-
Total nonspendable	<u>873,175</u>	<u>-</u>
Committed to:		
Endowment	-	<u>7,223,893</u>
Assigned to:		
Balance 2018 budget	-	-
1/12 of 2018 budget	1,842,204	-
2017 encumbered funds	1,537,318	-
Water bank fund and reserve	-	604,094
Total assigned	<u>3,379,522</u>	<u>604,094</u>
Unassigned	<u>10,796,001</u>	-
Total fund balances	<u>\$ 15,048,968</u>	<u>7,827,987</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Trustees have provided otherwise in its commitment or assignment actions.

J. Net Position

The governmental activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is displayed in three components as follows:

Net investment in capital assets: 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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Net Position (Continued)

Restricted net position: Reflects the component of net position that have constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for “debt service or capital projects.”

Unrestricted net position: Reflects the component of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

K. Budgets and Budgetary Accounting

The District follows defined procedures in establishing the budgetary data reflected in the budgetary comparison schedule. Each year the District determines amounts required for maintenance and operation expenditures. Based on that determination, the mill rate (for ad valorem assessments) and per acre rate (for water service assessments) are determined to bring expected revenues up to expected expenditures. The District submits a proposed budget for the general fund to its Board of Directors and to the Local Government Division of the State of New Mexico Department of Finance and Administration ("DFA") for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment. The District does not prepare a budget for the special revenue fund due to lack of activity.

Expenditures of the general fund may not legally exceed the budget. The legal level of budgetary control is at the fund level. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". The budget is prepared on a basis which differs from GAAP. The budget includes encumbrances as expenditures. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying budgetary comparison schedule are presented on the budgetary basis.

All budget appropriations, except for those amounts encumbered, lapse at year end.

L. Use of Estimates

The preparation of the District's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and of revenues and expenditures during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of New Accounting Standards

During the year ended June 30, 2018, the District evaluated the following Governmental Accounting Standards Board Statement (GASBS):

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. This statement is not applicable to the District.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The District has implemented this standard accordingly in the current year.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016 (FY 2018). Earlier application is encouraged. This statement is not applicable to the District.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The District implemented this standard in the year ended June 30, 2017.

The following standards have been issued but have future implementation dates:

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the District.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is not applicable to the District.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the District.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of New Accounting Standards (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is not applicable to the District.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the District.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This statement is not applicable to the District.

N. Subsequent Events

Management has evaluated subsequent events through December 10, 2018, the date which the financial statements were available to be issued.

NOTE 3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

For the year ended June 30, 2018 general fund budgeted revenues exceeded budgeted expenditures by \$461,930. For the year ended June 30 2017, general fund budgeted expenditures exceeded budgeted revenues by \$330,573. Prior year cash and investment balances for the general fund were used to complete the budget process. Actual expenditures did not exceed budgeted expenditures and the District did not report any deficit fund balances or net position at June 30, 2018 or 2017.

NOTE 4. CONTRACT RECEIVABLE

In 2007, the District entered into agreements with the United States Department of the Army ("government") to partially fund District design and construction of improvements to the Albuquerque west levee. The District's total cost of the project amounted to \$6,463,173 and is included in infrastructure in the accompanying statement of net position. The government's funding commitment (\$4,373,783) was recorded as a receivable from the government to be paid with federal funds pursuant to Section 593 of the Water Resources Development Act of 1999, Public Law 106-53, as amended. Reimbursement of the full amount of the receivable is contingent upon Congressional approval of an extension of the ceiling for Section 593 funds. Presently, the section 593 federal Program is awaiting an increase in Program Authority.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 4. CONTRACT RECEIVABLE (CONTINUED)

The District has received reimbursement in the fiscal years ended June 30 as follows:

	Payment Received	Balance
2007	\$ -	\$ 4,373,783
2010	1,700,000	2,673,783
2013	49,999	2,623,784
2017	320,251	2,303,533
2018	240,000	2,063,533

The receivable due from the government at June 30, 2018 and 2017 was to \$2,063,533 and \$2,303,533, respectively, and is reported in the accompanying statements of net position and balance sheets as a contract receivable due after one year. The District expects that the remaining funds will be authorized and appropriated by the federal government over a number of budget years subsequent to June 30, 2018, allowing for collection of this receivable. In the interim, the District is seeking to recognize these funds through in-kind matching on future projects.

In 2007, the District also entered into an agreement with the Albuquerque Metropolitan Arroyo Flood Control Authority ("AMAFCA") and the County of Bernalillo ("County"), whereby AMAFCA and the County each provided \$1 million of the above project cost. The agreement states at such time as the District is reimbursed by the government for the federal share of the project cost, AMAFCA and the County will receive a pro rata share of the reimbursement. As of June 30, 2018 and 2017, a combined payable to AMAFCA and the County in the amount of \$638,428 and \$811,770, respectively, is included in the accompanying statements of net position and balance sheets as payable to local governments, due after one year. It represents AMAFCA and the County's share of the contract receivable from the government described above.

NOTE 5. WATER SERVICE AND AD VALOREM ASSESSMENTS

Water service assessments and ad valorem assessments are levied each calendar year, on November 1, based on serviceable, irrigable acreage, as determined by the District, and taxable property valuations as determined by the four county assessors within the District boundaries, respectively. Water service and ad valorem assessments are due in two equal installments on December 1 and May 1 following the levy, after which they become delinquent. At June 30, 2018 and 2017, all receivables for water service and ad valorem assessments are delinquent. It has been the District's experience that a significant portion of the receivables for water service and ad valorem assessments may not be collected within one year. Lien rights are available to the District on all delinquent water service and ad valorem assessments. The District computes allowances on water service and delinquency charges receivable and ad valorem assessments receivable based on management's determination of balances it believes will be uncollectible.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 5. WATER SERVICE AND AD VALOREM ASSESSMENTS (CONTINUED)

In the government-wide financial statements, water service and ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers. In the fund financial statements, water service assessments collected by the District and ad valorem assessments remitted by the county assessors to the District within thirty days following year end are recorded as revenue; all water service and ad valorem assessments not collected or remitted within thirty days following year end are reported as deferred inflows of resources. For the year ending June 30, 2018, water service assessments were assessed and levied at a uniform rate per acre of \$37 based on acreage approximating 52,963. Ad valorem assessments for the year ending June 30, 2018 were assessed and levied at a rate of \$4.83 per \$1,000 of valuation of residential property and \$6.03 per \$1,000 valuation of nonresidential property based on valuations determined by the county assessors. For the year ending June 30, 2017, water service assessments were assessed and levied at a uniform rate per acre of \$34 based on acreage approximating 53,549. Ad valorem assessments for the year ending June 30, 2017 were assessed and levied at a rate of \$4.60 per \$1,000 of valuation of residential property and \$5.74 per \$1,000 valuation of nonresidential property based on valuations determined by the county assessors. Valuations for current and prior years are continually being modified pursuant to present laws, rules and regulations.

NOTE 6. REVENUE NOT AVAILABLE TO PAY CURRENT PERIOD EXPENDITURES

Revenue not available to pay current period expenditures as reported in the balance sheets consist of the following at June 30:

	2018	2017
<i>Earned but not available:</i>		
Ad valorem assessments	\$ 1,754,359	\$ 1,909,455
Water service and delinquency charges	337,309	323,302
Governmental contracts:		
Federal – USACE, net of payable to AMAFCA and Bernalillo County of \$638,428 and 811,770, respectively	1,425,105	1,491,763
Federal – BIA O&M pueblo lands	60,154	60,154
Federal – BIA San Acacia, net of allowance for doubtful accounts of \$160,498 and \$0, respectively	80,000	240,498
Federal – Fish and Wildlife Service	13,810	-
Local – El Vado water storage	98,800	-
<i>Received but not earned:</i>		
Funds received from Bernalillo County for future projects	78,004	-
	<u>\$ 3,847,541</u>	<u>4,025,172</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital Assets					
Non-depreciating:					
Land	\$ 456,999	-	-	-	456,999
Construction in progress	5,081,753	11,932	-	-	5,093,685
Depreciating:					
Buildings and improvements	3,575,144	199,870	-	-	3,775,014
Office furniture and equipment	507,334	76,232	2,048	-	581,518
Computer software	410,106	17,764	-	-	427,870
Engineering equipment	110,648	2,997	-	-	113,645
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	6,320,503	270,534	53,042	-	6,537,995
Weed and pest control equipment	377,269	50,356	-	27,632	455,257
Heavy field equipment	10,470,626	1,562,220	-	-	12,032,846
Shop and field equipment	214,156	-	-	(27,632)	186,524
Infrastructure	15,234,758	463,941	-	-	15,698,699
Total capital assets	42,770,091	2,655,846	55,090	-	45,370,847
Less accumulated depreciation:					
Buildings and improvements	1,685,645	102,165	-	-	1,787,810
Office furniture and equipment	433,269	22,586	2,048	-	453,807
Computer software	337,312	26,451	-	-	363,763
Engineering equipment	52,204	4,094	-	-	56,298
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	5,686,343	218,519	44,821	-	5,860,041
Weed and pest control equipment	350,476	10,188	-	27,632	388,296
Heavy field equipment	6,459,567	559,058	-	-	7,018,625
Shop and field equipment	177,202	6,510	-	(27,632)	156,080
Infrastructure	3,665,382	439,572	-	-	4,104,954
Total accumulated depreciation	18,858,195	1,389,143	46,869	-	20,200,469
Capital assets, net	\$ 23,911,896	1,266,703	8,221	-	25,170,378

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Increases	Decreases	*Adjustment	Balance June 30, 2017
Capital Assets					
Non-depreciating:					
Land	\$ 457,094	-	95	-	456,999
Construction in progress	5,681,753	-	-	(600,000)	5,081,753
Depreciating:					
Buildings and improvements	3,366,833	208,311	-	-	3,575,144
Office furniture and equipment	477,679	59,092	29,437	-	507,334
Computer software	410,106	-	-	-	410,106
Engineering equipment	158,239	44,851	92,442	-	110,648
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	6,472,236	178,558	330,291	-	6,320,503
Weed and pest control equipment	368,940	10,124	1,795	-	377,269
Heavy field equipment	10,787,813	17,819	335,006	-	10,470,626
Shop and field equipment	214,156	-	-	-	214,156
Infrastructure	15,011,168	223,590	-	-	15,234,758
Total capital assets	43,416,812	742,345	789,066	(600,000)	42,770,091
Less accumulated depreciation:					
Buildings and improvements	1,599,719	85,926	-	-	1,685,645
Office furniture and equipment	440,550	21,996	29,277	-	433,269
Computer software	289,401	47,911	-	-	337,312
Engineering equipment	140,583	4,063	92,442	-	52,204
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	5,751,467	235,889	301,013	-	5,686,343
Weed and pest control equipment	341,157	11,115	1,796	-	350,476
Heavy field equipment	6,261,427	527,913	329,773	-	6,459,567
Shop and field equipment	170,399	6,803	-	-	177,202
Infrastructure	3,228,475	436,907	-	-	3,665,382
Total accumulated depreciation	18,233,973	1,378,523	754,301	-	18,858,195
Capital assets, net	\$ 25,182,839	636,178	34,765	(600,000)	23,911,896

*Adjustment is from a redistribution by Army Corps of Engineers. See Note 12.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 8. LONG-TERM LIABILITIES

A. Long-Term Debt

During the fiscal year ended June 30, 2014, the District received approval for a loan from the New Mexico Finance Authority in the amount of \$150,396 bearing interest at a rate of 0.25% for the completion of the first phase of the United States Army Corps of Engineers San Acacia to Bosque del Apache Unit Levee project. Net revenues from the general operations of the District will be pledged in repayment of this loan. The following are changes during the year ended June 30, 2018 related to this loan:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Note Payable	\$ 122,389	-	7,507	114,882	7,526

The following are changes during the year ended June 30, 2017 related to this loan:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Note Payable	\$ 129,877	-	7,488	122,389	7,507

Debt service requirements for the note are as follows:

	Principal	Interest	Total
2019	\$ 7,526	287	7,813
2020	7,545	268	7,813
2021	7,563	250	7,813
2022	7,582	231	7,813
2023	7,601	212	7,813
2024-2028	38,292	772	39,064
2029-2033	38,773	291	39,064
Totals	\$ 114,882	2,311	117,193

B. Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Compensated absences payable				
Payable within one year	\$ 464,133	885,912	800,342	549,703
Payable after one year	389,758	309,700	415,386	284,072
	\$ 853,891	1,195,612	1,215,728	833,775

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Compensated absences payable				
Payable within one year	\$ 501,965	812,222	850,054	464,133
Payable after one year	466,341	442,516	519,099	389,758
	<u>\$ 968,306</u>	<u>1,254,738</u>	<u>1,369,153</u>	<u>853,891</u>

The general fund has been used to liquidate obligations for accrued compensated absences.

NOTE 9. PERA PENSION PLAN

Plan description. *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided –Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member’s final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors’ annuities are also available.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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NOTE 9. PERA PENSION PLAN (CONTINUED)

TIER II - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect see the tables available PERA's Comprehensive Annual Financial Report (CAFR) at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports>. The PERA coverage option that applies to the District is the Municipal General Division Plan 3.

Employer Pickup. During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No.82, *Pension Issues*, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB (Governmental Accounting Standards Board) Statement No. 67. Statutorily required contributions to the pension plan from the District were \$793,135 and \$766,886 and employer paid member benefits that were "picked up" by the employer were \$818,881 and \$801,439 for the years ended June 30, 2018 and 2017, respectively. See PERA's comprehensive annual financial report for contribution provided description.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 9. PERA PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$12,596,234 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District’s proportion was 0.9167 %, which was a decrease of 0.0188% from its proportion measured as of June 30, 2016.

At June 30, 2017, the District reported a liability of \$14,946,142 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District’s proportion was 0.9355%, which was a decrease of 0.0286% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2018, the District recognized pension expense of \$1,368,591. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 494,947	645,142
Changes of assumptions	580,873	130,165
Net difference between projected and actual earnings on pension plan investments	1,033,445	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	347,038
Employer contributions subsequent to the measurement date	<u>793,135</u>	<u>-</u>
Total	<u>\$ 2,902,400</u>	<u>1,122,345</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 9. PERA PENSION PLAN (CONTINUED)

\$793,135 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 201,676
2020	973,194
2021	114,068
2022	(302,018)

For the year ended June 30, 2017, the District recognized pension expense of \$1,628,920. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 746,771	145,866
Changes of assumptions	876,416	2,485
Net difference between projected and actual earnings on pension plan investments	2,750,062	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	288,364
Employer contributions subsequent to the measurement date	<u>768,886</u>	<u>-</u>
Total	<u>\$ 5,142,135</u>	<u>436,715</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 9. PERA PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset Valuation Method	4 year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate,
Includes inflation at	2.25% annual rate for the first 9 years, then 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00 %</u>	

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 9. PERA PENSION PLAN (CONTINUED)

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.51%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51%) or 1-percentage-point higher (8.51%) than the current rate:

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Municipal General Division:			
For the year ended June 30, 2018			
District’s proportionate share of the net pension liability	\$ 19,742,458	12,596,234	6,653,154

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA financial report available at www.nmpera.org.

Payables to the pension plan. At June 30, 2018 and 2017, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2018 or 2017.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

See Note. 13 for a description of restatement affecting OPEB liability at June 30, 2017.

Plan Description. The District has adopted a policy whereby the District will contribute to the cost of the premium for health and dental insurance coverage for eligible retirees and their eligible dependents until such time as the retiree is eligible for Medicare coverage. The retiree's spouse is also eligible for coverage until they become eligible for Medicare coverage. Dependents that are financially dependent on the retiree and are unmarried are eligible for coverage until they reach the age of 26. The retiree, their spouse and the dependent are no longer eligible to participate in the program if they are part of another contributed insurance program, including, but not limited to coverage under the New Mexico Retiree Health Care Authority. The retirees are responsible for obtaining their own health and dental insurance coverage. The District's policy constitutes a single-employer defined benefit healthcare plan.

Benefits Provided – The District currently reimburses 80% of the premium cost based on the medical insurance policy that each retiree purchases on the open market. Prior to July 1, 2008, the District reimbursed 60% of the premium cost. The retiree may also cover a spouse. Premium costs are not reimbursed after age 65.

Funding Policy. Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2018 and 2017, the District contributed \$169,766 and \$155,558 under the plan, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Eligibility Requirements – Eligible retirees are those who have retired from the District through normal retirement or disability and do not qualify for Medicare. Upon the death of an eligible retiree, his or her spouse and eligible dependents who do not qualify for Medicare are eligible for the benefit with the same terms and conditions. Age and Service Credit Eligibility Requirements are described as below:

Any age with 25 or more years of service credit; or
Age 60 or older with 20 or more years of service credit; or
Age 61 or older with 17 or more years of service credit; or
Age 62 or older with 14 or more years of service credit; or
Age 63 or older with 11 or more years of service credit; or
Age 64 or older with 8 or more years of service credit; or
Age 65 with 5 or more years of service credit.

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MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Membership. The number of employees covered by the benefit terms are as follows:

	2018	2017
Inactive employees or beneficiaries		
currently receiving benefits	18	18
Inactive employees entitled to but		
not yet receiving benefits	-	-
Active employees	<u>212</u>	<u>212</u>
total membership	230	230

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the plan as understood by the District and plan members and include the types of benefits provided at the time of the actuarial valuation and the sharing of benefit costs between the District and the plan members at that point. The actuarial cost method used is the Entry Age Normal Level Percent of Pay Cost Method (EAN).

Significant assumptions and other inputs used to measure the total OPEB liability are as follows:

Inflation	2.30%
Real wage growth	Assumed to be equal to inflation
Salary increases, including inflation	2.30%
Discount rate	3.58%
Health care cost trends:	
Pre-Medicare	5.90% for 2016 decreasing to an ultimate rate of 3.94% by 2075

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were determined in accordance with the mortality rates set forth in the RP2016 Mortality Table for males and females.

Coverage level election rates are based on the assumption that 100% of eligible employees will elect coverage at retirement and further that 70% of those employees will cover a spouse at retirement.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's OPEB liability to changes in the discount rate and changes in the healthcare cost rate. The following presents the District's OPEB liability calculated using each of the following rates:

- A healthcare cost trend rate that is 1 percentage point higher than the assumed healthcare cost trend rate, and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate, and
- The discount rate of 3.87 percent, as well as what the District's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Healthcare Cost Trend			
1% Decrease		7,657,357	
Current	9,863,216	9,219,996	7,865,240
1% Increase		10,191,421	

Schedule of changes in the total OPEB liability at June 30:

	2018	2017
Beginning balance (as restated in 2017)	\$ 8,938,661	9,139,564
Changes for the year:		
Service cost	429,225	496,774
Interest	316,992	258,276
Change in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions or other inputs	(295,116)	(800,395)
Benefit payments	(169,766)	(155,558)
Net changes	<u>281,335</u>	<u>(200,903)</u>
Ending balance	<u>\$ 9,219,996</u>	<u>8,938,661</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2018, The District reported deferred inflows and outflows from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	-
Changes of assumptions or other inputs	-	832,984
Total	<u>\$ -</u>	<u>832,984</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(151,696)
2020		(151,696)
2021		(151,696)
2022		(151,696)
2023		(151,696)
Thereafter		(74,504)

At June 30, 2017, The District reported deferred inflows and outflows from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	-
Changes of assumptions or other inputs (as restated)	-	689,564
Total	<u>\$ -</u>	<u>689,564</u>

Deferred inflows and outflows of resources should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The average expected remaining service life of active members for the year ended June 30, 2018 is 7.83 years. The average expected remaining service life of the inactive members is zero. Therefore, the recognition period is the weighted average of these two amounts, or 7.22 years.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

GASB states OPEB expense also should be recognized in the current reporting period for (a) costs incurred by the government related to the administration of OPEB and (b) the total of nonemployer contributing entities' expenses for costs incurred related to the administration of OPEB (measured in conformity with paragraph 210) that are associated with the government. The measurement period for these costs should be the same as the measurement period applied to changes in the collective total OPEB liability for purposes of determining collective OPEB expense in conformity with paragraph 176.

The OPEB expense consists of

1. Service costs for the year
2. Interest on the total OPEB liability (TOL) using the bond rate at the beginning of the period
3. Change in the TOL due to benefit changes
4. The current year recognition of changes in the TOL due to Actual versus Expected experience
5. The current year recognition of changes in the TOL due to changes of assumptions or other inputs experience (including the change in discount rate)
6. Recognition of deferred inflows and outflows of resources from prior years.

The following table provides a breakdown of the OPEB Expense as of June 30 (as restated for 2017):

	2018	2017
Service cost at end of year	\$ 429,225	496,774
Interest on the total OPEB liability	316,992	258,276
Expensed portion of current-period changes of assumptions or other inputs	(40,865)	(110,831)
Recognition of beginning deferred inflows of resources as OPEB expense	<u>(110,831)</u>	<u>-</u>
OPEB expense	<u>\$ 594,521</u>	<u>644,219</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 11. CONTINGENCIES

Silvery Minnow. In prior years, the District was a party to a number of lawsuits regarding protection of the silvery minnow, a fish which is native to the Rio Grande and is an endangered species. These actions were in regards to the United States government agencies' obligations and authorities to provide protection for the silvery minnow including managing river flow to accommodate their existence. Initial Court rulings had the United States Bureau of Reclamation ("Bureau") discretion to reduce deliveries of certain available water under its contracts with the District to comply with the Endangered Species Act. This ruling was dismissed on appeal. In the following years, parties to those proceedings are abiding by a 2003 biological opinion issued by the United States Fish and Wildlife Service. A new biological opinion (2016 BO) was issued in December 2016. The 2016 BO no longer requires targeted river flow requirements as was the case in the 2003 BO. The 2016 BO is a performance based BO that requires certain actions to be accomplished in a five and ten-year planning horizon as well as maintain a base silvery minnow population of no less than 0.3 Catch Per Unit Effort (CPUE) in a three-year period with a goal of 1.0 CPUE or better as measured in October of each year to be considered a self-sustaining population. Data received for October 2018 indicate that the population has fallen dramatically from October 2017 where there was in excess of 20.0 CPUE this year down to 0.13 CPUE as a result of a very low water year.

The Board of Directors approved a suite of actions that the District has committed to implement including the provision of \$150,000 per year for supporting the science within the Collaborative Program. Approximately \$400,000 will be utilized to provide the District's share of the fish passage project at San Acacia Diversion Dam during FY 2019. The 2016 BO has yet to be challenged in federal court minimizing the potential of the District having to file cross claims to protect its interests.

Title Claim. A matter that arose from the silvery minnow litigation resulted in the District intervening on a quiet title suit to establish ownership to all District facilities, including dams, canals, drains, Bosque areas, and all structures within District boundaries. The United States government did not counter claim to establish ownership. The United States government contended that a contract signed in 1951 by the District and the Bureau whereby the Bureau agreed to significantly rehabilitate District facilities and provide ongoing maintenance, gave title to the United States government. The reimbursable costs of rehabilitating the District's facilities were repaid to the Bureau by the District in prior years. It is the District's position that it granted an assignment of easement to the Bureau to operate on District property in order to accomplish the purpose of the contract, but did not grant ownership.

In July, 2005 the United States District Court ruled that the District's quiet title suit was time barred under the Federal Quiet Title Act and that ownership of certain specific significant District structures and land tracts resided with the United States government and that title could be re-conveyed by United States congressional action. The District Court additionally ruled that the United States Government has discretion to consult regarding the District's works and water rights. The ruling was appealed to the 10th Circuit Court of Appeals.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 11. CONTINGENCIES (CONTINUED)

In March, 2010, the Circuit Court ruled that the District Court erred in granting summary judgment to the United States government and should have simply dismissed the District's quiet title suit due to statute of limitation requirements. The Circuit Court further stated that their ruling did not settle the title dispute between the District and the United States Government and that the dispute remains to be settled by possible future judicial resolution. The District continues to assert its ownership of all District facilities and is working with the Bureau to resolve this matter. Without resolution between the parties or United States Congressional action, further title dispute resolution is dependent on future United States Government legal proceedings, if any. The Bureau is now supportive of proposed legislation and is looking to streamline the process administratively given the current push in this administration to divest in federal assets that are having a negative impact on the Treasury that included paid out Reclamation projects such as the portion of the middle Rio Grande Project that serves MRGCD.

Current Litigation/Claims. In July, 2014, the Wildearth Guardians ("plaintiff") brought suit against the United States Bureau of Reclamation and the United States Army Corps of Engineers ("government defendants") seeking the government to use disputed authorities regarding Rio Grande water storage and timing and volume of Rio Grande water flows for two endangered species, the Rio Grande silvery minnow and the Southwestern willow flycatcher as afforded by the Endangered Species Act.

In August, 2014, the District filed a motion to intervene in the lawsuit brought against the government in the United States District Court in order to continue to protect its water rights and those of its constituents, conduct its operations in a manner that benefits its irrigators and constituents, and cooperate to provide protections for endangered species and for existing and future water uses. In November, 2014, the Court ordered that the District be joined as a defendant. The case was dismissed and is on appeal to the Tenth Circuit Court of Appeals.

In August, 2014, the District received a notice of intent to sue the District by the same plaintiff. The notice stated the plaintiff intended to bring a civil suit against the District for violating the Endangered Species Act with respect to ongoing water management actions and activities including diversion of water from the Rio Grande causing habitat modification impacting affected endangered species. The District will vigorously contest the suits.

In 2013, the District received a notice of intent to sue the District by an employee. The parties reached a settlement in September 2015, however the employee attempted to back out of the settlement. The Court ruled that the settlement was enforceable and the only remaining issue is whether the District is entitled to an offset for the wages and benefits paid while the employee was on administrative leave. The Court has not scheduled this issue for hearing

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 11. CONTINGENCIES (CONTINUED)

In May, 2013, the Pueblo of Isleta sent a letter to the United States arguing that the United States breached its duty of trust to the Pueblo and damaged the Pueblo because of the failure to properly maintain the Isleta Dam. The United States has indicated it considers the District responsible for the damages to the Pueblo; the District denies this. The United States has been negotiating with the Pueblo along with the District on this issue and the three parties formed a technical team and a legal team to address the issues. After lengthy negotiations, the parties entered into a Global Settlement Agreement in 2017 resolving the Pueblo's claims. The District's financial contributions to this Settlement is to provide a total of \$2.5 M during a ten year period ending in 2027 to help resolve sedimentation and fish passage at Isleta Diversion Dam. This is expected to be part of the existing District budget for infrastructure improvements deemed necessary prior to the specific requirements of this Settlement. The District funding will leverage \$7.5 M in federal funding to help solve the identified problems with the Dam.

In 2016, the O'Connor's filed an inverse condemnation action as a result of a flooding incident on July 26, 2013. Plaintiffs have also sued the County of Socorro and the New Mexico Department of Transportation. The District was added to the case in the second amended complaint. The District denies any wrongdoing, a settlement is pending.

Bosque del Sol, LLC has filed an action against the District and its CEO, Mike Hamman, alleging a violation of the Open Meetings Act and seeks a Declaratory Judgment. No damages are sought but if a violation of the New Mexico Open Meetings Act is proven then the Plaintiffs are seeking costs and reasonable attorney fees. The case is pending in the district court.

In June 2018, several parties filed a Complaint for Appraisal and Award of Damages and for Injunctive Relief in connection with damages suffered by their properties following flood events on September 29, 2017, October 5, 2017 and June 3, 2018. Plaintiffs allege, among other things, the District failed to maintain the natural surface flow of its ditches and canals, and that work provided by another Defendant contributed to Plaintiffs' damages and the New Mexico Department of Transportation (NMDOT) (also a Defendant) failed to maintain its culverts and drainage structures. Plaintiffs also allege inverse condemnation claims against the District and NMDOT. The District denies any wrongdoing and is vigorously defending the case.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 12. COMMITMENTS

Bosque Revitalization @ Route 66. In July, 2008, the District entered into a project cooperation agreement with the United States Department of the Army ("government") under which the government agreed to perform certain work related to the environmental revitalization of the Bosque consisting of improving and restoring the ecosystem and constructing recreational features. The District was required to contribute 25% of the ecosystem restoration cost and 50% of the recreation cost. The construction was completed in April, 2010. In September, 2011, the government formally transferred responsibility for the operation and maintenance of the project to the District. During this past fiscal year, the government provided a final accounting for the project costs which resulted in the District paying an additional \$40 K to close out the costs of this project.

Middle Rio Grande Restoration Project. In July, 2011, the District entered into a project partnership agreement with the United States Department of the Army ("government") under which government agreed to design and construct certain ecosystem restoration features and recreation improvements in the Middle Rio Grande Bosque. The estimated cost of the project is \$24,809,000, all of which will be paid by the government. The District is required to provide, at no cost to the government, lands, easements, and rights-of-way for the project. In addition, upon completion of the project, the District will operate and maintain the project, except for portions of the project within Sandia Pueblo lands, the Rio Grande Valley State Park, and the Corrales Bosque Preserve, which will be operated and maintained by the Pueblo of Sandia, City of Albuquerque, and the Village of Corrales, respectively.

Middle Rio Grande Flood Damage Reduction, Bernalillo to Belen. In September, 2012, the District entered into an agreement with the United States Department of the Army ("government") under which the government agreed to conduct a study to identify and evaluate alternatives and make recommendations for flood damage reduction from Bernalillo to Belen, New Mexico. The initial estimated cost of the study was \$950,000. During 2014, the government revised the estimated cost of the study to \$1,380,000. The costs have now increased to \$3,000,000. The District, with demonstrated assistance from the state on previous levee studies, is required to pay 50% of the cost of the study or \$1,500,000. Payments and credits totaling \$1,452,057 have been made over the last five fiscal years. As this project moves forward, the District will seek to find funding either in its own budget in future fiscal years or in partnership with various state agencies impacted by this project. The project has cleared the Agency Milestone stage and has been recommended to proceed to the Commander of the Corps of Engineers. A final determination will be issued by April 2019.

Rio Grande Floodway San Acacia to Bosque del Apache Unit. In August, 2014, the District, the New Mexico Interstate Stream Commission ("ISC"), and the United States Department of the Army ("government") signed a project partnership agreement for a project to replace approximately 43 miles of spoil bank along the west bank of the Rio Grande with an engineered levee. Currently the government has estimated over the terms of the partnership the total project cost at \$287,000,000, with \$243,950,000 to be paid by the government. The District and the ISC would be responsible for the remaining \$43,050,000 of cost. Upon completion of construction, the District shall operate and maintain the project.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 12. COMMITMENTS (CONTINUED)

The project management plan for segment one of the project, consisting of 7.3 miles, was signed by the District, ISC, and the government in August, 2014. Segment one of the project will take place in three phases. The estimated cost of segment one is approximately \$59,000,000, of which approximately \$50,200,000 would be paid by the government. The District, ISC, and other local entities would be responsible for the remaining \$8,800,000.

In conjunction with funding commitments in 2014 and 2013, the District Board of Directors has approved loan/grant agreements with the New Mexico Water Trust Board ("Trust Board") and the New Mexico Finance Authority ("Finance Authority"). The Trust Board and the Finance Authority provided \$3,003,968 to finance the project in the form of grants in the amount of \$2,853,572 and a loan in the amount of \$150,396 (with certain revenues pledged). In the year ended June 30, 2015, the District drew down the full amount available under these agreements. Another \$1,500,000 in the form of a grant was committed by the Trust Board and the Finance Authority during FY 16 and paid in August 2016. The District is required to make annual payments on the 30 year loan and these payments have been made.

In August, 2014, the District paid \$975,000 to the government for its share of costs for segment one of the project, consisting of \$900,000 of District funds and \$75,000 from another local entity. The ISC contributed \$1,436,032 and the State of New Mexico contributed \$1,000,000 from severance tax bond funding for the project during FY 15. The ISC contributed another \$1,050,000 during FY 16. During FY 17, the ISC contributed \$600,000 to the project which allowed the CORPS to redistribute a like amount of District funding from this project to the Bernalillo to Belen project. The District has been informed that all funds required as the local cost-share has been provided by the District and the ISC. Phase one has been completed and will be turned over to the District for maintenance. The other phases have been placed on hold as the government is focusing on other priority areas, such as the Bernalillo to Belen project.

Bernalillo New Mexico Section 205 Feasibility. The District agreed to take over local sponsorship of the feasibility study for the Bernalillo levee project from the Town of Bernalillo and Eastern Sandoval County Arroyo Flood Control Authority.

In July, 2014, the District Board of Directors agreed to execute an agreement with the United States Department of the Army ("government") for a feasibility study for flood risk management for the Town of Bernalillo, New Mexico. The government has estimated the cost of the feasibility study at \$472,000, of which \$236,000 would be paid by the government. The District's cost share of \$236,000 would consist of cash of \$226,000 and in-kind of \$10,000. The District executed the agreement in December 2015 and has paid \$149,000 on this project. Currently this project is in a suspended state pending further analysis and funding by the government.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 12. COMMITMENTS (CONTINUED)

Rio Grande Environmental Management Plan - Sandia to Isleta. This plan provides a collaborative mechanism for working with state, federal, local, international, Tribal and non-governmental interests for planning, construction and evaluation of measures for fish and wildlife habitat rehabilitation and enhancement. The United States Department of the Army (“government”) was able to get funding authorized for up to \$1.5 M federal requiring a dollar to dollar match by the local sponsor that is the District. This study actually has higher benefits to other local governments and the District is actively seeking their support to cover the up to \$1.5 M in cost share. The District has paid cash or authorized refund dollars for a total of \$250,000 as of the fiscal year end in order to keep this project on task.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Encumbrances outstanding of \$1,636,271 and \$1,537,318 at June 30, 2018 and 2017, respectively, are included in assigned fund balances in the accompanying balance sheets.

NOTE 13. RESTATEMENT

Net OPEB liability and deferred inflows related to OPEB as reported in the government-wide Statement of Net Position have been restated as a result of a correction to the net OPEB liability as of June 30, 2016 related to incorrect valuation programming affecting the June 30, 2016 valuation report.

June 30, 2017 Statement of Net Position was impacted as follows:

	As Originally Reported	As Restated	Change
Net OPEB liability, payable after one year	\$ 7,442,469	8,938,661	(1,496,192)
Deferred inflows related to OPEB	562,381	689,564	(127,183)
Total	<u>8,004,850</u>	<u>9,628,225</u>	<u>(1,623,375)</u>

June 30, 2017 beginning net position was impacted as follows:

Net position beginning of year as originally reported	\$ 31,590,678
Restatement	<u>(1,623,375)</u>
Net position, beginning of year as restated	<u>\$ 29,967,303</u>

NOTE 14. TAX ABATEMENT DISCLOSURES

The District is not aware of any tax abatements that existed as of June 30, 2018 that would require disclosure under GASBS 77.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF PERA MUNICIPAL GENERAL DIVISION
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

Fiscal Year Measurement Date	June 30:			
	2018 2017	2017 2016	2016 2015	2015 2014
District's proportion of the net pension liability	0.9355%	0.9355%	0.9641%	0.9750%
District's proportionate share of the net pension liability	\$ 12,596,234	14,946,142	9,829,835	7,606,046
District's covered payroll	\$ 8,051,600	8,028,645	8,028,757	8,028,757
District's proportionate share of the net pension liability as a percentage of its covered payroll	156.44%	186.16%	122.43%	94.74%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CONTRIBUTIONS
PERA MUNICIPAL GENERAL DIVISION
Last 10 Fiscal Years***

	June 30:			
	2018	2017	2016	2015
Contractually required employer contribution	\$ 793,135	768,886	766,736	766,746
Contributions in relation to the contractually required employer contribution	\$ 793,135	768,886	766,736	766,746
Contribution excess	-	-	-	-
District's covered payroll	8,305,085	8,051,600	8,028,645	8,028,757
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PERA
MUNICIPAL GENERAL DIVISION
For the Year Ended June 30, 2018**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR available at <http://saonm.org>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at <http://www.nmpera.org/>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF TOTAL OPEB LIABILITY
Last 10 Fiscal Years***

Fiscal Year	June 30:	
	2018	2017**
Service cost at end of year	\$ 429,225	496,774
Interest	\$ 316,992	258,276
Changes of assumptions or other inputs	\$ (295,116)	(800,395)
Benefit payments	\$ (169,766)	(155,558)
Net change in total OPEB liability	\$ 281,335	(200,903)
Total OPEB liability - beginning	\$ 8,938,661	9,139,564
Total OPEB liability - ending	\$ 9,219,996	8,938,661
Covered-employee payroll	\$ 8,460,665	8,316,934
Total OPEB liability as a percentage of covered-employee payroll	108.97%	107.48%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

** The amounts presented for the year ended June 30, 2017 have been revised from originally reported amounts. See also notes to the financial statements

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH ACCOUNTS AND PLEDGED COLLATERAL
Years Ended June 30, 2018 and 2017

Depository	Account Name	Type	2018		2017	
			Reconciled Balance	Depository Balance	Reconciled Balance	Depository Balance
Wells Fargo Bank NM, NA	G/F Operating	Checking	\$ 2,110,247	2,392,569	\$ 1,756,319	2,109,270
Wells Fargo Bank NM, NA	G/F Basic Flex Plan	Checking	3,825	3,825	2,951	3,007
Wells Fargo Bank NM, NA	G/F Payroll	Checking	-	-	-	-
Bank of America	Water Bank fund	Checking	604,336	604,336	604,094	604,094
Bank of America	Endowment fund	Savings	633,769	633,519	632,266	632,266
Cash on hand	Petty cash		600		600	
Cash on hand	Assesment drawer		300		300	
			<u>\$ 3,353,077</u>	<u>3,634,249</u>	<u>\$ 2,996,530</u>	<u>3,348,637</u>
	Less: FDIC coverage			(500,000)		(500,000)
	Total uninsured public funds			3,134,249		2,848,637
	50% collateral requirement			1,567,125		1,424,319
	Pledged securities			2,354,178		2,802,433
	Over (under)			<u>\$ 787,053</u>		<u>\$ 1,378,114</u>

Pledged Collateral:

Wells Fargo Bank NM, NA

Cusip #		Interest Rate	Due	Collateral Value	Due	Collateral Value
3128PWMK1	FMAC	3.00%	9/1/2026	302,494		
3138WJXP8	FNMA	3.50%	2/1/2047	302,488		
31417DSC8	FNMA	3.00%	10/1/2042	293,519		
31418BVJ2	FNMA	3.00%	10/1/2035	418,433		
3132LMHH2	FMAC	3.50%			10/1/2033	226,885
3138AQB96	FNMA	3.00%			10/1/2026	1,343,234
3138AWR54	FNMA	3.00%			11/1/2026	202,196
31417DAD5	FNMA	3.00%			9/1/2042	43,758
				<u>\$ 1,316,934</u>		<u>\$ 1,816,073</u>

Collateral held by Bank of New York, Mellon, NY, NY

Bank of America

Cusip #		Interest Rate	Due	Collateral Value	Due	Collateral Value
31419ADV6	FNMA	5.50%	12/1/2035	\$ 1,036,207		
31418VEC4	FNMA	5.00%			5/1/2038	896,636
31418QZLO	FNMA	4.50%			5/1/2034	63,463
31149AVM6	FNMA	6.00%			12/1/2037	16,694
Various similar securities	FNMA / FMAC			1,037		9,567
				<u>\$ 1,037,244</u>		<u>\$ 986,360</u>

Collateral held by Bank of New York Mellon, NY, NY.

Reconciliation to financial statements:

Bank of America		\$ 1,238,105	\$ 1,236,360
Wells Fargo Bank, NM		2,114,072	1,759,270
Petty cash		900	900
Total Cash		<u>\$ 3,353,077</u>	<u>\$ 2,996,530</u>

OTHER REPORT



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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Mr. Wayne Johnson, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund of the Middle Rio Grande Conservancy District, State of New Mexico ("District", as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2018-001.

Middle Rio Grande Conservancy District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
December 10, 2018

STATE COMPLIANCE SECTION

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

A. PRIOR YEAR AUDIT FINDINGS

2017-001	Procurement	Resolved
2017-002	Information Technology General Controls	Resolved

B. CURRENT YEAR AUDIT FINDINGS

2018-001	Capital Asset Disposal (Other Non-Compliance)	
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**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2018**

2018-001 CAPITAL ASSET DISPOSAL (OTHER NON-COMPLIANCE)

CONDITION

During the year under audit, the District disposed of vehicles that were involved in accidents and received insurance settlements as a result of the accidents. The removal of the vehicles from the capital asset listing was not reported to New Mexico State Auditor's Office.

CRITERIA

Section 13-6-1 NMSA 1978 requires that the governing authority of each state agency, local public body, school district and state educational institution shall, as a prerequisite to the disposition of any items of tangible personal property (1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.

EFFECT

The district was not in compliance with state statutes regarding disposition of capital assets.

CAUSE

Because the vehicles were involved in an accident, the District was not able to give a 30 day notification to the state auditor. However notification should have been made of the disposition after the fact.

RECOMMENDATION

Management should ensure that all disposals, including assets totaled by insurance or stolen are reported to the state auditor.

MANAGEMENT RESPONSE

The District will develop a new policy to deal with all aspects of disposing of capital assets including 'wrecked' vehicles and the required notifications. The Treasurer will develop a policy by January 1, 2019 and will distribute the policy to all employees that handle assets and the disposition of assets.

ESTIMATED TIMELINE TO COMPLETE: January 1, 2019

RESPONSIBLE OFFICIAL: Treasurer

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2018**

A. EXIT CONFERENCE

An exit conference was held on December 10, 2018, to discuss the annual financial report. Attending were the following:

Representing the Middle Rio Grande Conservancy District:

Mike Hamman	Chief Executive Officer
David M. Ferguson	Secretary/Treasurer
Melin Villagas-Vargas	Accounting Manager
John Kelly	Board Chair

Representing the Independent Auditor:

Mark Santiago, CPA, Senior Audit Manager

B. AUDITOR PREPARED FINANCIAL STATEMENTS

Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor. It would be preferred and desirable for the District to prepare its own financial statements and footnotes; although the District is capable, with guidance, of preparing, reviewing and approving the financial statements and footnotes, it is felt that the District's personnel do not have the time to prepare them.