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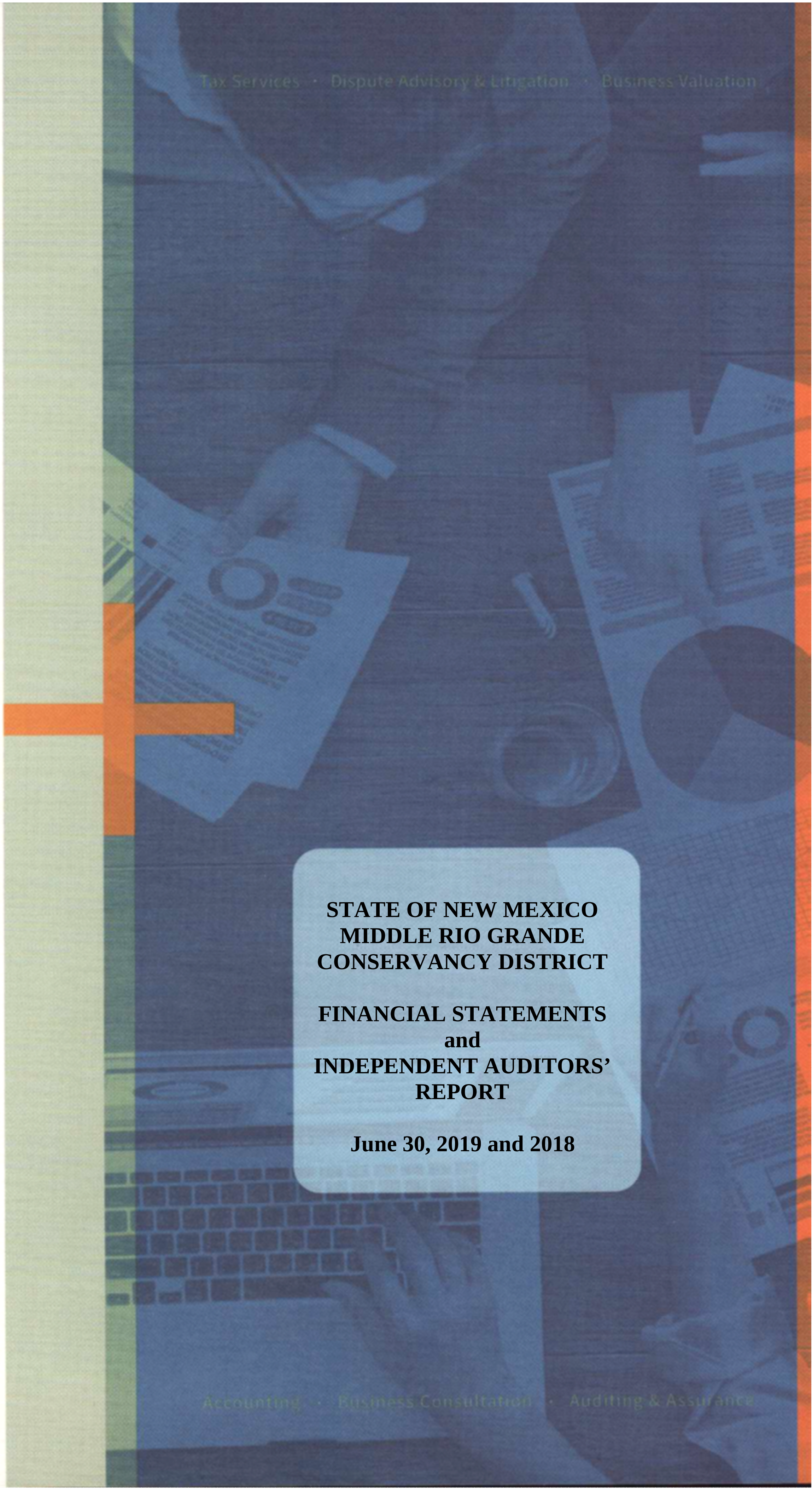

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT

FINANCIAL STATEMENTS and INDEPENDENT AUDITORS' REPORT

June 30, 2019 and 2018

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Official Roster
June 30, 2019

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 Daniel E. Ramczyk	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 Lisa Chavez Ortega	Division No. 13	Honorable Marie Ward	Division No. 14
Honorable Daniel J. Gallegos	Division No. 15	Honorable Carl Butkus	Division No. 16
Honorable Erin B. O’Connell	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 Amber Chavez Baker	Division No. 22
Honorable Joshua A. Allison	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		

*The Middle Rio Grande Conservancy District was created by the Second Judicial District Court of New Mexico through court order. The Conservancy Court resides within the Second Judicial District and has legal jurisdiction regarding the authorities and boundaries of the Middle Rio Grande Conservancy District.

BOARD OF DIRECTORS

	Position No.	County
Karen Dunning, Chairperson	3	Bernalillo
Joaquin Baca, Vice-Chair	4	Bernalillo
Barbara Baca	1	At-Large
John P. Kelly	2	Bernalillo
Stephanie Russo Baca	5	Valencia
Valerie Moore	6	Socorro
Michael T. Sandoval	7	Sandoval

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

1030 18th Street NW
Albuquerque, NM 87104
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Independent Auditors' 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
Brian S. Colón, Esq., 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, 2019 and 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, 2019 and 2018 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.

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 63-65, and the GASBS 75 OPEB schedule on page 66 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 audit was 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, investments and pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of cash, investments and pledged collateral 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, investments and pledged collateral 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 9, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 9, 2019

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019
(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 primarily on the revenues it collects from ad valorem assessments, water service charges, water bank fees and miscellaneous revenue it collects from contracts with governmental entities and others. The District does receive grant funding and entered into a loan agreement with the New Mexico Finance Authority during the fiscal year. The District must also manage its expenses within these revenues and any reserves available. The District increased the ad valorem mil and water service charge rates again for FY 19 to meet the operating needs and to provide necessary capital funding.

The District continues to seek funding for projects and non-recurring expenditures. The District obtained funding from the New Mexico Finance Authority (NMFA) and purchased $2.4 million in vehicles and heavy equipment during the past fiscal year as part of its capital replacement program.

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 2019 irrigation season was very good from a water supply perspective whereby there were no shortages of water for the agricultural users, however, the extended high spring runoff created extensive damages to the spoil levee system within Valencia County. The District, with financial assistance from the New Mexico Interstate Stream Commission, expended $1.2 million to repair numerous locations along riverside drains and levees preventing potential failures. Additional expenditures are budgeted in FY 2020 to continue shoring up weak areas of concern. This problem highlights the need for the construction of the Bernalillo to Belen engineered levee system that the District is working on with the Corps of Engineers as the primary local sponsor for this project. The funding requirements with require participation by local and state agencies to help cover the local cost-share requirements.

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.

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.

STATEMENT OF NET POSITION

	FY 2019	FY 2018	Percent Change
ASSETS			
Current and other short term assets	$ 29,666,256	$ 26,518,310	11.87%
Long term assets	-	2,063,533	-100.00%
Capital assets, net of depreciation	28,423,915	25,170,378	12.93%
Total Assets	58,090,171	53,752,221	8.07%
DEFERRED OUTFLOWS OF RESOURCES	4,484,878	2,902,400	54.52%
LIABILITIES			
Current liabilities	2,338,178	1,301,768	79.62%
Long-term liabilities excluding net pension liability	10,945,252	10,249,852	6.78%
Net pension liability	15,687,008	12,596,234	24.54%
Total Liabilities	28,970,438	24,147,854	19.97%
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	78,004	78,004	0.00%
Deferred inflows related to pensions & OPEB	2,689,196	1,955,329	37.53%
Total Deferred inflows	2,767,200	2,033,333	36.09%
NET POSITION			
Invested in capital assets	25,900,432	25,055,496	3.37%
Restricted	904,430	-	100.00%
Unrestricted	4,032,549	5,417,938	-25.57%
Total Net Position	$ 30,837,411	$ 30,473,434	1.19%

STATEMENT OF ACTIVITIES

	FY 2019	FY 2018	Percent Change
REVENUES			
Program revenues	$ 3,400,684	$ 3,343,060	1.72%
General revenues	20,030,307	18,149,012	10.37%
Total revenues	23,430,991	21,492,072	9.02%
EXPENSES			
Public works	23,067,014	20,987,164	9.91%
CHANGE IN NET POSITION	363,977	504,908	-27.91%
NET POSITION, BEGINNING OF YEAR	30,473,434	29,968,526	1.68%
NET POSITION, END OF YEAR	$ 30,837,411	$ 30,473,434	1.19%

The financial position of the District has improved due to increases in ad valorem and water service charge rates that have increased the cash position. The District has been able to maintain a balanced budget without having to rely on cash reserves.

<u>FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION</u>

ASSETS:

- Total Assets increased by $4.3 million during the fiscal year with capital assets accounting for $3.2 million of the increase.
- Current and other short-term assets reflected a new increase of $3.1 million or an increase of 11.87%. $1.0 million is the result of the US Army Corps of Engineers receivable being reclassified from long-term to short-term and $2.5 million increase in funds being invested in the Local Government Investment Pool with the New Mexico State Treasurer offset by a $400 reduction in cash and cash equivalents (including restricted funds).
- Long-term assets decreased by $2.1 million. The US Army Corps of Engineers paid the District $1,053,895 of the amount due and the remaining amount was reclassified to short term as the Corps indicated in late June 2019 that the remaining amount was to be paid.
- Capital assets, net of depreciation, increased by 12.93% or $3.2 million. The District was able to purchase additional assets using loan proceeds from the New Mexico Finance Authority (NMFA) and additional funds in the budget.

LIABILITIES:

- Total liabilities increased by $4.8 million. Current Liabilities increased by $ 1.03 million attributable to increases in vouchers payable, payables to local governments as part of the repayment of funds from the US Army Corps of Engineers and notes payable. Non-current liabilities increased by $ 3.7 million primarily from the loan due to NMFA.

<u>FINANCIAL HIGHLIGHTS - STATEMENT OF ACTIVITIES</u>

Total revenues increased by 9.02 % due to the rate increases in ad valorem and water service charge. The ad valorem revenue increased by $1.6 million, water service charges by $ 177 thousand and interest income by $ 239 thousand.

Program Expenses in FY 19 were up $ 2.1 million with salaries and benefits accounting for $1.1 million of the increase and the remaining attributable to general increases in operations.

<u>GENERAL FUND BUDGETARY HIGHLIGHTS</u>

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 Directors 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.

The budgetary comparisons are presented on a non-GAAP budgetary basis. For the fiscal year ended June 30, 2019, the District's budget projected a surplus of revenues over expenditures of $69,617.

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

For the fiscal year ended June 30, 2019, actual revenues were $26,841,400. Compared to the revised budget of $26,705,525, the District was under its estimate by $135,875 or .5 %. Ad Valorem revenue was lower than estimated but the interest on investments and auction proceeds exceeded expectations.

For the fiscal year ended June 30, 2019, actual expenditures were $25,065,418 while budgeted expenditures were $26,635,908 resulting in a favorable variance of $1,570,490.

In summary, the District ended the year with a budget surplus of $1,775,982 compared to the expected surplus of $69,617.

DISTRICT HIGHLIGHTS

Change in Mil and Water Service Charge Rates

- With the mil rate increase approved for the FY 19 budget, the Board reached its goal to bring rates back to approximately 5 mils for residential rates and the non-residential rates are 1.25% of residential rates. The current mil rate is $5.0693 for residential customers and $6.3334 for non-residential customers. These rates are expected to remain at the above levels for the foreseeable future.

- The water service charge increased to $43 per acre beginning with calendar year 2019. Now that the rate has been equalized with what it should be relative to the statutory authority, the Board now plans to have this rate increase in the future only by the Consumer Price Index as provided in statute. The rate will increase to $43.82 beginning in January 2020.

- These rate increases will allow the District to keep revenues in line with recurring operating costs and to allow for much needed improvements to the District infrastructure as discussed in prior reports. Management continues to monitor its expenses and keeping them in line with needs and requirements of operations. 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 Corps of Engineers (federal government) on various projects. Currently the District is working on a flood damage reduction project from Bernalillo to Belen and the Rio Grande Environmental Management Plan from Sandia to Isleta that is unfunded at this time. The Bernalillo section 205 feasibility project is on hold but could resurface in the future. These projects are discussed in detail in Note 12 of the Financial Statements.

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 over a number of years in the development of a new biological opinion (BiOp) related to the silvery minnow, southwestern willow flycatcher, yellow billed cuckoo and the meadow jumping mouse. The new biological opinion was issued in December 2016 and the District is working on a number of commitments associated with this BiOp and related projects including the Isleta Diversion Dam settlement. 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. The District has purchased over $5 million in the last two fiscal years and continues to explore other opportunities to purchase or lease additional assets. 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 which it is doing on-time and in accordance with the loan agreement.

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. During the fiscal year the District received $1,053,895 towards the outstanding balance, bringing the balance to $1,009,638 at the end of FY 19. At the end of June 2019, the District received notice that the balance would be paid off. Payment was received in August 2019 which resolved this outstanding amount. The District has an offsetting liability to Bernalillo County and AMFACA of 15.47% each. The District is working with AMAFCA and Bernalillo County on repayments.

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 with the date still uncertain due to Corps pending closeout procedures. The other phases have been placed on hold as the government is focusing on other priority areas as described in Note 12.

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 is in the first of two possible extensions which expires February 29, 2020 but can be extended through February 28, 2021; the District expects the contract to be extended. 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 will begin working on extending the contract past the February 28, 2021 end date.

Water Efficiency Improvement Loan from NMED Clean Water Act Program

- The District entered into a $500,000 20-year loan agreement with the New Mexico Environment Department, Construction Programs Bureau to provide gap funding for on-farm federal Farm Bill grants for water efficiency improvements within District boundaries. Loan agreements will be developed a part of a pilot program that, if successful, could lead to additional funding for this purpose in the future. The District is required to pledge revenues in accordance with the loan agreement.

Inventory Monitoring and Reduction

- Inventory increased by $136 thousand this past year as a decision was made to increase the quantity of materials on hand due to longer delivery times.

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. Specific capital replacements and improvements will be included within each budget proposal as a component of the annual budget as well as the longer-term capital acquisition strategies.

Upcoming Change in Senior Management

- The District's current Secretary-Treasurer, Mr. David M. Fergeson CPA, CGMA, informed the CEO and the Board of Directors in December 2018 of his intention to retire effective December 31, 2019. The Human Resources Department under the guidance of the Personnel Committee and the CEO began the recruiting process for the District's new Chief Financial Officer that will also serve as the Secretary-Treasurer. Through an extensive recruitment process, Mr. Santiago Chavez was selected with Board approval and reported for duty on November 12, 2019 to work with Mr. Fergeson on the transition.

Economic Factors and Next Year's Budget

- The approved budget for fiscal year 2020 expenditures is $23,155,566 while revenues are projected to be $23,204,105. This is the third consecutive year the district is not required to set aside funds from reserves to meet its' obligations. This budget projects a surplus of $48,539. 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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ **2,041,060**	$ 3,353,077
Restricted cash and cash equivalents	**904,430**	-
Investment in Local Government Investment Pool	**22,009,028**	19,544,219
Current receivables:		
Ad valorem assessments, net	**2,231,779**	2,171,669
Water service and delinquency charges, net	**364,253**	359,174
Government Contracts		
Federal	**71,499**	140,154
Local	**14,569**	13,810
Interest receivable	**38,931**	25,582
Other receivable	**25,592**	91,204
Material and supply inventories, at cost	**955,477**	819,421
Contract receivable from US Department of the Army	**1,009,638**	-
Total current assets	**29,666,256**	26,518,310
Non-current Assets		
Contract receivable from US Department of the Army	**-**	2,063,533
Capital assets, net	**28,423,915**	25,170,378
Total non-current assets	**28,423,915**	27,233,911
Total assets	**58,090,171**	53,752,221
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	**3,658,775**	2,109,265
Employer contributions subsequent to measurement date	**826,103**	793,135
Total deferred outflows of resources	**4,484,878**	2,902,400
Total assets and deferred outflows of resources	$ **62,575,049**	$ 56,654,621

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
LIABILITIES		
Current Liabilities		
Vouchers payable	**513,661**	197,089
Accrued payroll and related benefits payable	**529,371**	482,050
Other liabilities	**67,708**	65,400
Accrued compensated absences	**519,393**	549,703
Accrued payable to local governments	**312,353**	-
Notes payable	**395,692**	7,526
Total current liabilities	**2,338,178**	1,301,768
Non-current Liabilities		
Accrued compensated absences, net of current portion	**541,432**	284,072
Accrued payable to local governments, due after one year	**-**	638,428
Notes payable, net of current portion	**2,127,791**	107,356
Net pension liability	**15,687,008**	12,596,234
Net OPEB liability	**8,276,029**	9,219,996
Total non-current liabilities	**26,632,260**	22,846,086
Total liabilities	**28,970,438**	24,147,854
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	**78,004**	78,004
Deferred inflows related to pensions	**692,307**	1,122,345
Deferred inflows related to OPEB	**1,996,889**	832,984
Total deferred inflows of resources	**2,767,200**	2,033,333
NET POSITION		
Net investment in capital assets	**25,900,432**	25,055,496
Restricted	**904,430**	-
Unrestricted	**4,032,549**	5,417,938
Total net position	**30,837,411**	30,473,434
Total liabilities, deferred inflows of resources, and net position	$ **62,575,049**	$ 56,654,621

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, 2019 and 2018

	Governmental Activities	
	2019	2018
Program Expenses		
Public works:		
Personnel services	$ **9,057,112**	8,440,548
Employee benefits	**5,304,860**	4,750,452
Contractual operating and maintenance services	**853,579**	665,048
Field expenses	**2,545,550**	2,366,231
General and administrative expenses	**3,869,413**	3,576,861
Interest expense	**63,986**	306
Depreciation	**1,564,027**	1,389,143
Bad debt expense	**86,070**	160,498
Internal costs capitalized	**(277,583)**	(361,923)
Total program expenses	**23,067,014**	20,987,164
Program Revenues		
Charges for services:		
Water services assessments	**2,148,701**	1,976,654
Program specific operating grants:		
Federal	**943,273**	481,844
Local	**308,710**	496,286
Program specific capital grants:		
Federal	**-**	388,276
Total program revenues	**3,400,684**	3,343,060
Net program (expense) revenues	**(19,666,330)**	(17,644,104)
General revenues		
Ad valorem assessments	**18,594,323**	17,017,627
Delinquency charges	**251,105**	237,262
Investment income	**457,521**	218,870
Gain on equipment and property removal	**157,558**	25,751
Land sales and water bank leases	**401,576**	422,368
Other revenue	**168,224**	227,134
Total general revenues	**20,030,307**	18,149,012
Increase in net position	**363,977**	504,908
Net position, beginning of year	**30,473,434**	29,968,526
Net position, end of year	$ **30,837,411**	$ 30,473,434

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, 2019 with Comparative 2018 Totals

		General	Special Revenue	**Total 2019**	Total 2018
ASSETS					
Cash and cash equivalents	$	801,710	1,239,350	**2,041,060**	3,353,077
Restricted cash and cash equivalents		904,430	-	**904,430**	-
Investment in Local Government Pool		15,417,401	6,591,627	**22,009,028**	19,544,219
Current receivables:					
Ad valorem assessments, net		2,231,779	-	**2,231,779**	2,171,669
Water service and delinquency charges, ne		364,253	-	**364,253**	359,174
Governmental contracts and grants					
Federal, net		71,499	-	**71,499**	140,154
Local		14,569	-	**14,569**	13,810
Interest receivable		38,931	-	**38,931**	25,582
Other receivables		25,592	-	**25,592**	91,204
Material and supply inventories, at cost		955,477	-	**955,477**	819,421
Contract receivable from US Department of Army		1,009,638	-	**1,009,638**	2,063,533
Total assets	$	21,835,279	7,830,977	**29,666,256**	28,581,843
LIABILITIES					
Vouchers payable	$	513,661	-	**513,661**	197,089
Accrued payroll and related benefits payable		529,371	-	**529,371**	482,050
Other liabilities		67,708	-	**67,708**	65,400
Accrued payable to local governments		312,353	-	**312,353**	638,428
Total liabilities		1,423,093	-	**1,423,093**	1,382,967
DEFERRED INFLOWS OF RESOURCES					
Revenue not available to pay current period expenditures		3,033,191	-	**3,033,191**	3,847,541
Total liabilities and deferred inflows of resources		4,456,284	-	**4,456,284**	5,230,508
FUND BALANCES					
Nonspendable inventory and prepaids		955,477	-	**955,477**	819,421
Restricted		904,430	-	**904,430**	-
Committed		-	7,226,400	**7,226,400**	7,225,396
Assigned		3,148,491	604,577	**3,753,068**	4,372,441
Unassigned		12,370,597	-	**12,370,597**	10,934,077
Total fund balances		17,378,995	7,830,977	**25,209,972**	23,351,335
Total liabilities, deferred inflows of resources and fund balances	$	21,835,279	7,830,977	**29,666,256**	28,581,843

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

		General	Special Revenue		Governmental Funds
ASSETS					
Cash and cash equivalents	$	2,114,972	1,238,105	$	3,353,077
Investment in Local Government Pool		12,952,592	6,591,627		19,544,219
Current receivables, net:					
Ad valorem assessments, net		2,171,669	-		2,171,669
Water service and delinquency charges, net		359,174	-		359,174
Governmental contracts and grants					
Federal, net		140,154	-		140,154
Local		13,810	-		13,810
Interest receivable		25,582	-		25,582
Other receivables		91,204	-		91,204
Material and supply inventories, at cost		819,421	-		819,421
Contract receivable from United States					
Department of Army, due after one year		2,063,533	-		2,063,533
Total assets	$	20,752,111	7,829,732	$	28,581,843
LIABILITIES					
Vouchers payable	$	197,089	-		197,089
Accrued payroll and related benefits payable		482,050	-		482,050
Other liabilities		65,400	-		65,400
Payable to local governments, due after one year		638,428	-		638,428
Total liabilities		1,382,967	-		1,382,967
DEFERRED INFLOWS OF RESOURCES					
Revenue not available to pay current period expenditures		3,847,541	-		3,847,541
Total liabilities and deferred inflows of resources		5,230,508	-		5,230,508
FUND BALANCES					
Nonspendable inventory and prepaids		819,421	-		819,421
Committed		-	7,225,396		7,225,396
Assigned		3,768,105	604,336		4,372,441
Unassigned		10,934,077	-		10,934,077
Total fund balances		15,521,603	7,829,732		23,351,335
Total liabilities, deferred inflows of resources and fund balances	$	20,752,111	7,829,732	$	28,581,843

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIAITON OF THE BALANCE SHEETS TO
THE STATEMENTS OF NET POSITION
June 30, 2019 and 2018

		2019	2018
Total fund balances (Balance sheet)	$	**25,209,972**	23,351,335
Amounts reported for governmental activities in the statements of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		**28,423,915**	25,170,378
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.		**2,955,187**	3,769,537
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds		**3,792,571**	1,780,055
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds		**(1,996,889)**	(832,984)
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		**(1,060,825)**	(833,775)
Notes payable		**(2,523,483)**	(114,882)
Net pension liability		**(15,687,008)**	(12,596,234)
Obligation for postemployment benefits		**(8,276,029)**	(9,219,996)
Total net position (statement of net position)	$	**30,837,411**	30,473,434

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018

			Governmental Funds	
	General	Revenue	**Total 2019**	Total 2018
Revenues				
Ad valorem assessments	$ 18,513,577	-	$ **18,513,577**	$ 17,172,724
Water service assessments	2,147,345	-	**2,147,345**	1,962,647
Delinquency charges	251,105	-	**251,105**	237,262
Investment income	457,026	495	**457,521**	218,870
Contracts with governmental entities				
Federal	721,844	-	**721,844**	721,844
Local	392,941	-	**392,941**	289,476
Operating and capital grants				
Federal	1,269,757	-	**1,269,757**	482,476
Local	-	-	-	-
Other	164,381	-	**164,381**	227,134
Water bank leases	400,826	-	**400,826**	421,118
Land sales	-	750	**750**	1,250
Total revenues	24,318,802	1,245	**24,320,047**	21,734,801
Expenditures				
Public works				
Current operations	20,423,602	-	**20,423,602**	18,992,387
Capital outlays	4,558,631	-	**4,558,631**	2,293,923
Debt service:				
Principal	326,974	-	**326,974**	7,507
Interest	63,986	-	**63,986**	306
Total expenditures	25,373,193	-	**25,373,193**	21,294,123
Excess (deficiency) of revenues over expenditures	(1,054,391)	1,245	**(1,053,146)**	440,678
Other Finance Sources (Uses)				
Equipment disposition proceeds	176,208	-	**176,208**	33,972
Loan proceeds	2,735,575	-	**2,735,575**	-
Total other financing sources (uses)	2,911,783	-	**2,911,783**	33,972
Change in fund balances	1,857,392	1,245	**1,858,637**	474,650
Fund balances, beginning of year	15,521,603	7,829,732	**23,351,335**	22,876,685
Fund balances, end of year	$ 17,378,995	7,830,977	$ **25,209,972**	$ 23,351,335

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2018

	General	Special Revenue	Governmental Funds
Revenues			
Ad valorem assessments	$ 17,172,724	-	$ 17,172,724
Water service assessments	1,962,647	-	1,962,647
Delinquency charges	237,262	-	237,262
Investment income	218,375	495	218,870
Contracts with governmental entities	-		
Federal	721,844	-	721,844
Local	289,476	-	289,476
Operating and capital grants	-		
Federal	482,476	-	482,476
Other	227,134	-	227,134
Water bank leases	421,118	-	421,118
Land sales	-	1,250	1,250
Total revenues	21,733,056	1,745	21,734,801
Expenditures			
Public works			
Current operations	18,992,387	-	18,992,387
Capital outlays	2,293,923	-	2,293,923
Debt service:			
Principal	7,507	-	7,507
Interest	306	-	306
Total expenditures	21,294,123	-	21,294,123
(Deficiency) excess of revenues over expenditures	438,933	1,745	440,678
Other Finance Sources (Uses)			
Equipment disposition proceeds	33,972	-	33,972
Total other financing sources (uses)	33,972	-	33,972
Change in fund balances	472,905	1,745	474,650
Fund balances, beginning of year	15,048,698	7,827,987	22,876,685
Fund balances, end of year	$ 15,521,603	7,829,732	$ 23,351,335

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 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
Year Ended June 30, 2019 and 2018

	2019	2018
Increase (decrease) in fund balances (statement of revenues, expenditures and changes in fund balances)	$ **1,858,637**	$ 474,650
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	**4,558,631**	2,293,923
Internal costs capitalized	**277,583**	361,923
Governmental funds do not report depreciation expense which is recorded in the statements of activities.	**(1,564,027)**	(1,389,143)
In the statements of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispostitions are included. Thus, the change in net position differs from the change in fund balances by the net book value of assets disposed.	**(18,650)**	(8,221)
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 eff	**(814,350)**	(255,636)
Governmental funds do not report the net change in compensated absences	**(227,050)**	20,116
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 Statements of Net Position.		
Debt issued or incurred	**(2,735,575)**	**-**
Principal repaid	**326,974**	**7,507**
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	**826,103**	793,135
Pension expense	**(1,904,361)**	(1,368,591)
OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.	**(219,938)**	(424,755)
Increase in net position (statement of activities)	$ **363,977**	$ 504,908

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable
Revenues				
Ad valorem assessments	$ 18,821,770	18,821,770	18,513,701	(308,069)
Water service assessments	2,150,420	2,150,420	2,143,622	(6,798)
Ad valorem interest	216,000	216,000	251,105	35,105
Water bank leases	400,000	400,000	400,826	826
Interest on investments	150,000	150,000	414,102	264,102
Federal contracts	721,843	721,843	721,844	1
Local contracts	293,097	293,097	392,941	99,844
Operating and capital grants	200,000	1,253,895	1,269,757	15,862
Other	198,500	198,500	340,589	142,089
Loan proceeds	2,500,000	2,500,000	2,392,913	(107,087)
Total revenues	25,651,630	26,705,525	26,841,400	135,875
Expenditures				
Personnel services	9,347,318	9,314,432	8,830,063	484,369
Employee benefits	4,086,020	4,114,410	3,854,259	260,151
Employee costs	211,960	215,422	179,890	35,532
Services	1,687,670	2,091,694	1,225,040	866,654
General & administrative expenses	591,609	582,519	545,299	37,220
Technology & communication	375,823	329,486	308,812	20,674
Bank and other fees	22,500	27,909	27,909	-
Ad valorem collection fee	369,500	389,660	388,033	1,627
Debt payments	7,800	479,824	479,800	24
Utilities	108,350	102,881	100,992	1,889
Facility O & M	349,550	521,764	511,557	10,207
Division expense	347,500	461,284	445,571	15,713
Vehicle & equipment O&M	1,318,995	1,420,485	1,386,772	33,713
Federal O&M services	855,093	853,593	853,579	14
Capital outlays	3,969,000	4,137,609	4,114,170	23,439
Operating and capital grants	750,825	726,243	970,463	(244,220)
Special projects	1,182,500	866,693	843,209	23,484
Total expenditures	25,582,013	26,635,908	25,065,418	1,570,490
(Deficiency) excess of revenues over expenditures	69,617	69,617	1,775,982	1,706,365

(Decrease) increase in fund balance - non-GAAP budgetary basis	1,775,982
Change in:	
Ad valorem and water service receivables	3,599
Encumbrances	(396,615)
NMFA bank accounts and interest income not budgeted	474,426
Increase (decrease) in fund balance - GAAP basis	1,857,392

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 assessments	$ 17,444,270	17,444,270	17,172,723	(271,547)
Water service assessments	1,981,276	1,981,276	1,962,828	(18,448)
Ad valorem interest	275,000	275,000	237,262	(37,738)
Water bank leases	389,500	389,500	421,118	31,618
Interest on investments	60,000	60,000	218,375	158,375
Federal contracts	721,843	721,843	721,844	1
Local contracts	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	1,624,073	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
Operating 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			472,905	

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

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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, 2019 or 2018); 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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, 2019 or 2018. 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts and petty cash.

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, 2019, the carrying amount of the District's cash deposits was $2,041,060 and the bank balance on these accounts was $2,601,911. Funds in the amount of $2,101,911 as of June 30, 2019 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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.

Restricted Cash and Cash Equivalents

The District has entered into a loan agreement with the New Mexico Finance Authority (NMFA). As required the agreement, any unexpended loan proceeds are maintained by NMFA until needed by the District. Additionally, the District is required to set aside reserve amounts for debt obligations. Amounts held by NMFA totaling $904,430 includes the following:

- Program account – Balance of $514,034 contains the unspent net proceeds of the loan agreement which can be requested for the purchase of equipment in accordance with the loan agreement or for repayment of the loan.
- Debt service account – Balance of $112,706 represents funds accumulated to pay principal and interest as they become due.
- Reserve account - Balance of $277,690 consists of a reserve of 10% of loan proceeds in accordance with loan agreement reserve requirements, and any accrued interest income.

Deposit insurance and pledging requirements remain the responsibility of NMFA.

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, 2019 and 2018 consists of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (LGIP). Participation in the LGIP is voluntary. Investments totaling $22,009,028 and $19,544,219 are stated at fair value based on quoted market value as of June 30, 2019 and 2018, respectively.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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, 2019 and 2018. 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, 2019 and 2018, 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, 2019, the LGIP's WAM (R) was 35 days and the WAM (F) was 112 days. At June 30, 2018, the LGIP's WAM (R) was 50 days and the WAM (F) was 100 days.

The District records the interest earned by the special revenue fund's investment in the LGIP in the general fund. This amounted to $149,614 and $84,859 during the years ended June 30, 2019 and 2018, respectively. The total interest earned in the Pool was $414,102 and $212,482 for the years ended June 30, 2019 and 2018, respectively.

Inventories and Prepaids

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. There were no prepaids in the years ended June 30, 2019 or 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, accrued vested annual leave totaled $659,313 and $591,726, 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 termination method in which benefits have been accrued only for those employees if it is probable that the District will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. Therefore an accrual is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. Management makes this estimate based on experience of making termination payments for sick leave. At June 30, 2019 and 2018, accrued vested sick leave totaled $325,034 and $190,046 respectively.

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2019 and 2018, accrued vested compensatory leave totaled $33,168 and $25,103, respectively. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year. At June 30, 2019 and 2018, accrued vested holiday leave totaled $28,148 and $26,900, respectively.

Additionally, in the year ended June 30, 2019, the District has accrued a liability of $15,162 representing payroll taxes associated with compensated absence balances described above.

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 including applicable payroll taxes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (Continued)

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.

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.

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.

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, 2019 or 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 general fund restricted balance includes restricted cash and cash equivalents held by NMFA and restricted by loan agreements.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

The fund balance classifications of the governmental funds as of June 30, 2019, were as follows:

	General Fund	Special Revenue Fund
Fund balances:		
Nonspendable:		
Inventories	$ 955,477	$ -
Restricted for:		
Cash and equivalents held by NMFA	904,430	-
Committed to:		
Endowment	-	7,226,400
Assigned to:		
1/12 of 2020 budget	1,929,630	-
2019 encumbered funds	1,218,861	-
Water bank fund and reserve	-	604,577
Total assigned	3,148,491	604,577
Unassigned	12,370,597	-
Total fund balances	$ 17,378,995	$ 7,830,977

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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	$ -
Committed to:		
Endowment	-	7,225,396
Assigned to:		
1/12 of 2019 budget	2,131,834	-
2018 encumbered funds	1,636,271	-
Water bank fund and reserve	-	604,336
Total assigned	3,768,105	604,336
Unassigned	10,934,077	-
Total fund balances	$ 15,521,603	$ 7,829,732

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.

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:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Net investment in capital asset

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.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Implementation of New Accounting Standards

The District evaluated the following Governmental Accounting Standards Board Statement (GASBS) which became effective in the year ended June 30, 2019:

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.

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. The District has implemented this standard accordingly in FY 2019.

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

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 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 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 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), accordingly, the District has implemented this statement in the year ended June 30, 2019.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through December 9, 2019, the date which the financial statements were available to be issued.

NOTE 3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

For the years ended June 30, 2019 and 2018 general fund budgeted revenues exceeded budgeted expenditures by $69,617 and $461,930, respectively. Actual expenditures did not exceed budgeted expenditures and the District did not report any deficit fund balances or net position at June 30, 2019 or 2018.

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.

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

Years	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
2019	1,053,895	1,009,638

NOTE 4. CONTRACT RECEIVABLE (CONTINUED)

The receivable due from the government at June 30, 2019 and 2018 was to $1,009,638 and $2,063,533, respectively, and is reported in the accompanying statements of net position and balance sheets as a contract receivable. The final payment of $1,009,638 was received in August 2019, and thus has been classified as a current receivable in the statement of net position.

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, 2019, and 2018, a combined payable to AMAFCA and the County in the amount of $312,353 and $638,428, respectively, is included in the accompanying statements of net position and balance sheets as accrued payable to local governments. 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, 2019 and 2018, 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. 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, 2019, water service assessments were assessed and levied at a uniform rate per acre of $40 based on acreage approximating 52,803. Ad valorem assessments were assessed and levied at a rate of $5.07 per $1,000 of valuation of residential property and $6.33 per $1,000 valuation of nonresidential property based on valuations determined by the county assessors.

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

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.

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:

	2019	2018
Earned but not available:		
Ad valorem assessments	$ **1,835,103**	$ 1,754,359
Water service and delinquency charges	**338,665**	337,309
Governmental contracts:		
Federal - USACE, net of payable to AMAFCA and Bernalillo County of $312,353 and $638,428, respectively	**697,285**	1,425,105
Federal - BIA O&M pueblo lands	**60,154**	60,154
Federal - BIA San Acacia, net of allowance for doubtful accounts of $0 and $160,498, respectively	**-**	80,000
Federal - Fish and Wildlife Service	**-**	13,810
Federal - BOR	**4,000**	-
Federal - NFWF	**1,567**	-
Local - DHSEM	**14,569**	-
Local - El Vado water storage	**-**	98,800
Customer promissory notes	**3,844**	-
Received but not earned:		
Funds received from Bernalillo County for future projects	**78,004**	78,004
	$ **3,033,191**	$ 3,847,541

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
Capital Assets					
Non-depreciating:					
Land	$ 456,999	27,883	-	-	$ 484,882
Construction in progress	5,093,685	14,671	-	-	5,108,356
Depreciating:					
Buildings and improvements	3,775,014	59,321	-	-	3,834,335
Office furniture and equipment	581,518	21,787	-	(17,916)	585,389
Computer software	427,870	45,613	-	-	473,483
Engineering equipment	113,645	-	-	-	113,645
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	6,537,995	1,074,767	704,948	-	6,907,814
Weed and pest control equipment	455,257	-	23,312	-	431,945
Heavy field equipment	12,032,846	3,190,222	331,309	-	14,891,759
Shop and field equipment	186,524	-	-	17,916	204,440
Infrastructure	15,698,699	401,950	-	-	16,100,649
Total capital assets	45,370,847	4,836,214	1,059,569	-	49,147,492
Less accumulated depreciation:					
Buildings and improvements	1,787,812	102,684	-	-	1,890,496
Office furniture and equipment	453,806	22,391	-	(1,642)	474,555
Computer software	363,763	25,443	-	-	389,206
Engineering equipment	56,298	4,095	-	-	60,393
Communication equipment	10,795	-	-	-	10,795
Motor vehicles and trailers	5,860,041	272,991	693,331	-	5,439,701
Weed and pest control equipment	388,296	8,193	23,312	-	373,177
Heavy field equipment	7,018,625	663,985	324,276	-	7,358,334
Shop and field equipment	156,079	6,516	-	1,642	164,237
Infrastructure	4,104,954	457,729	-	-	4,562,683
Total accumulated depreciation	20,200,469	1,564,027	1,040,919	-	20,723,577
Total capital assets	$ 25,170,378	3,272,187	18,650	-	$ 28,423,915

NOTE 7. CAPITAL ASSETS

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

	Balance July 1, 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	1,685,647	102,165	-	-	1,787,812
Office furniture and equipment	433,268	22,586	2,048	-	453,806
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	177,201	6,510	-	(27,632)	156,079
Infrastructure	3,665,382	439,572	-	-	4,104,954
Total accumulated depreciation	18,858,195	1,389,143	46,869	-	20,200,469
Total capital assets	$ 23,911,896	1,266,703	8,221	-	$ 25,170,378

NOTE 8. LONG-TERM LIABILITIES

Long-Term Debt

During the fiscal year ended June 30, 2014, the District received approval for a loan from the New Mexico Finance Authority (NMFA) 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 are pledged in repayment of this loan. In the event of default, the repayment of outstanding amounts could become immediately due if the District is unable to make payments.

In July 2018, the District entered into a loan agreement with NMFA in the amount of $2,735,575 for the purpose of financing equipment and certain apparatus. The loan bears interest at a rate of 2.25%. Net revenues from the general operations of the District are pledged in repayment of this loan. Principal payments are due annually and interest payments are due semi-annually through May 2028. In the event of default, the repayment of outstanding amounts could become immediately due if the District is unable to make payments.

Changes in long-term debt for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Notes from direct borrowings	$ 114,882	2,735,575	326,974	2,523,483	$ 395,692

Changes in long-term debt for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Notes from direct borrowings	$ 122,389	-	7,507	114,882	$ 7,526

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Long-Term Debt (Continued)

Debt service requirements on long-term debt at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	$ 395,692	69,545	$ 465,237
2021	405,142	60,095	465,237
2022	415,339	49,898	465,237
2023	196,405	38,869	235,274
2024	201,899	33,375	235,274
2025-2029	877,949	70,962	948,911
2030-2033	31,057	194	31,251
Totals	$ 2,523,483	322,938	$ 2,846,421

Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2019

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Compensated absences payable				
Payable within one year	$ 549,703	836,771	867,081	$ 519,393
Payable after one year	284,072	570,008	312,648	541,432
	$ 833,775	1,406,779	1,179,729	$ 1,060,825

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

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.

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%.

NOTE 9. PERA PENSION PLAN (CONTINUED)

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 $826,103 and $793,135 and employer paid member benefits that were "picked up" by the employer were $852,281 and $818,881 for the years ended June 30, 2019 and 2018, respectively. See PERA's comprehensive annual financial report for contribution provided description.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of $15,687,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the District's proportion was 0.9839 %, which was an increase of 0.0672% from its proportion measured as of June 30, 2017.

NOTE 9. PERA PENSION PLAN (CONTINUED)

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.

For the year ended June 30, 2019, the District recognized pension expense of $1,904,361. At June 30, 2019, 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	$ 453,386	$ 411,858
Changes of assumptions	1,422,249	90,194
Net difference between projected and actual earnings on Pension plan investments	1,163,428	-
Changes in proportion and differences between contributions and proportionate share of contributions	619,712	190,255
Employer contributions subsequent to the measurement date	826,103	-
Total	$ 4,484,878	$ 692,307

NOTE 9. PERA PENSION PLAN (CONTINUED)

$826,103 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:

Fiscal Year Ending June 30,		
2020	$	1,737,544
2021		809,558
2022		358,936
2023		60,430
		2,966,468

For the year ended June 30, 2018, the District recognized pension expense of $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		793,135		-
Total	$	2,902,400	$	1,122,345

NOTE 9. PERA PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	3%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% 2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. 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, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

NOTE 9. PERA PENSION PLAN (CONTINUED)

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 Expecte Real Rate of Returr
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	100.00%	

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

NOTE 9. PERA PENSION PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	$ 24,172,628	$ 15,687,008	$ 8,672,286

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, 2019 and 2018, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2019 or 2018.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

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.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2019 and 2018, the District contributed $225,003 and $169,766 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.

Membership

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

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	20	18
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	198	212
Total membership	218	230

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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	2.20%
Salary increases	Assumed to be equal to the rate of inflation
Discount rate:	
Prior measurement	3.87%
Measurement date	3.51%
Mortality table	RP-2014 Total Dataset Mortality Table projected fully generationally using MP-2018 mortality improvement scale
Health care cost trends:	
Medical	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075

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

Coverage level election rates are based on the assumption that 100% of eligible employees will elect coverage at retirement and further that 60% of those employees will cover a spouse at retirement.

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 (2.51%) or 1-percentage-point higher (4.51%) than the current rate:

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease (4.51%)	Current Discount Rate (3.51%)	1% Increase (2.51%)
Healthcare Cost Trend			
1% Decrease		$ 7,275,839	
Current	$ 7,653,186	$ 8,276,029	$ 9,772,079
1% Increase		$ 10,328,208	

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

	2019	2018
Beginning balance	$ 9,219,996	$ 8,938,661
Changes for the year:		
Service cost	446,136	429,225
Interest	369,767	316,992
Change in benefit terms	-	-
Difference between expected and actual experience	(648,293)	-
Changes of assumptions or other inputs	(886,574)	(295,116)
Benefit payments	(225,003)	(169,766)
Net changes	(943,967)	281,335
Ending balance	$ 8,276,029	$ 9,219,996

At June 30, 2019, 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	$ -	$ 555,680
Changes of assumptions or other inputs	-	1,441,209
Total	$ -	$ 1,996,889

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ending June 30,		
2020	$	(370,962)
2021		(370,962)
2022		(370,962)
2023		(370,962)
2024		(284,709)
Thereafter		(228,332)
		(1,996,889)

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	$ -	$ 832,984

Deferred Inflows and Outflows of resources for (a) differences between expected and actual experience and (b) changes of assumptions or other inputs 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.

For the current fiscal year, the average expected remaining service life of active and inactive employees is 7.22 years and the Deferred Inflows and Outflows of resources for (a) differences between expected and actual experience and (b) changes of assumptions or other inputs as of June 30, 2019 are amortized over 7 years.

GASB states the OPEB expense also should be recognized in the current reporting period for costs incurred by the government related to the administration of OPEB. The measurement period for these costs should be the same as the measurement period applied to changes in the Total OPEB Liability

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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:

	2019	2018
Service cost at end of year	$ 446,136	$ 429,225
Interest on total OPEB liability and service cost	369,767	316,992
Current period recognition of deferred inflows and outflows of resources:		
Difference between expected and actual experience in the total OPEB liability	(92,613)	-
Changes of assumptions or other inputs	(278,349)	(295,116)
OPEB expense	$ 444,941	$ 451,101

NOTE 11. CONTINGENCIES

Silvery Minnow

In prior years, the District was 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 regard 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 abided 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.

NOTE 11. CONTINGENCIES (CONTINUED)

Silvery Minnow (Continued)

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. The MRGCD has remained in compliance with the 2016 BO and continues to invest dedicated resources for the purpose of maintaining compliance for the 15-year period of coverage under this BO. The official determination for 2019 shows the October silvery minnow numbers at 2.11 CPUE, well above the 1.0 CPUE required for 10 out of 15 years under this BO.

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 MRGES Collaborative Program. Approximately $400,000 was 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

The District is currently pursuing title transfer under a new Secretary of Interior authority to transfer federal ownership interests to irrigation districts that officially request such action as well as qualify under the criteria being established under rules by the US Bureau of Reclamation. Many, but not all, District facilities and lands appear to qualify under the Secretary's authority to transfer title administratively. Other facilities that do not qualify must be authorized for title transfer through unique legislation that the District is pursuing with the help of a lobbyist, Mr. Mike Connor, former Deputy Secretary of Interior. It is the goal of the District to obtain full title in two increments, first being the administrative route for all lands and many facilities in Valencia and Socorro counties. This will assist in reduction of cash cost-share on the Bernalillo to Belen Levee project with the Corps of Engineers as the value of the lands needed for the project would be credited to the District as part of its cost-share requirement. The District is working to get this accomplished in 2020. The second step requires specific legislation that may be introduced during the upcoming session that identifies all facilities that do not qualify under administrative transfer procedures and requires a more detailed analysis. The District hopes to have all facilities transferred by the end of 2021.

NOTE 11. CONTINGENCIES (CONTINUED)

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 2019, the District received a notice of intent to sue the District by an employee. The Court has not scheduled this issue for hearing.

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 million 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 million in federal funding to help solve the identified problems with the Dam. The District has completed a major obligation in 2019 to remove all “legacy” sediment stockpiled on Pueblo lands and continues to participate in accordance with the requirements of the settlement agreement.

NOTE 11. CONTINGENCIES (CONTINUED)

Current Litigation/Claims (Continued)

In 2016, a plaintiff 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. A settlement has resolved this case and it has been dismissed.

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. A settlement has resolved this case and it has been dismissed.

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.

NOTE 12. COMMITMENTS

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. The District's commitment has been fulfilled. 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 February 2020.

NOTE 12. COMMITMENTS (CONTINUED)

Rio Grande Floodway San Acacia to Bosque del Apache Unit

The Socorro segment of the proposed San Acacia Levee system has been essentially completed with only finalization of the documentation necessary to transfer O&M to the District as well as provide files necessary to complete the Letter of Map Revision to FEMA in order to confirm that over 1,500 private properties are now out of the 100-year floodplain.

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. Some work was performed on the feasibility study, but further work has been suspended until such time as the local flood control entity, ESCAFCA, completes certain flood control projects in partnership with the Town of Bernalillo, the District and others.

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 million federal requiring a dollar to dollar match by the local sponsor that is the District. This study has higher benefits to other local governments and the District is actively seeking their support to cover the up to $1.5 million 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. Work on this Plan has been shelved until such time as the REMP funding authorization gets restored in the next WRDA bill.

Southwestern Valencia County Flood Prevention and Agricultural Water Efficiency Project - NRCS Grant Application

In July 2019, the District submitted a grant application under P.L. 83-566 as part of commitments made under a settlement agreement with a private landowner in 2018 to develop a flood prevention and water salvage project. This application is currently under review by the agency but upon award, will provide up to 100% federal funding for construction of the proposed project along the District's Belen Highline Canal in southern Valencia County. A notice should occur early in the new year.

NOTE 12. COMMITMENTS (CONTINUED)

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 $1,218,861 and $1,636,271 at June 30, 2019 and 2018, respectively, are included in assigned fund balances in the accompanying balance sheets.

NOTE 13. TAX ABATEMENT DISCLOSURES

The following tax abatements affect the District:

Agency number for Agency making the disclosure (Abating Agency)	5001	5001	5001
Abating Agency Name	Bernalillo County	Bernalillo County	Bernalillo County
Abating Agency Type	County	County	County
Tax Abatement Agreement Name	Friedman Recycling Project	Hotel Chaco Project	Lease Agreement between Bernalillo County and Silver Moon Lodge LLLP
Name of agency affected by abatement agreement (Affected Agency)	Middle Rio Grande Conservancy District	Middle Rio Grande Conservancy District	Middle Rio Grande Conservancy District
Agency number of Affected Agency	4027	4027	4027
Agency type of Affected Agency	Special District	Special District	Special District
Recipient(s) of tax abatement	Friedman Recycling of Albuquerque LLC	Hotel Chaco, LLC	Silver Moon Lodge LLLP
Tax abatement program (name and brief description)	Taxable Industrial Revenue Bonds (Series 2012A and 2012B and 2012C)	Taxable Industrial Revenue Bonds (Series 2015A)	New Mexico Multifamily Housing Revenue Bonds (Series 2013A and 2013B)
Specific Tax(es) Being Abated	Real and personal property tax exemption	Real and personal property tax exemption	Real Property tax
Authority under which abated tax would have been paid to Affected Agency	NMSA §7-37-6	NMSA §7-37-6	NMSA §7-37-6
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Real Property tax :	Real Property tax :	Real Property tax :
	$3,199.83	$28,625.13	$13,601.98
	Personal Property tax :	Personal Property tax :	Personal Property tax :
	$0.00	$0.00	$0.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	none	none	none
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A	N/A	N/A

NOTE 13. TAX ABATEMENT DISCLOSURES (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	5001	5001	5001
Abating Agency Name	Bernalillo County	Bernalillo County	Bernalillo County
Abating Agency Type	County	County	County
Tax Abatement Agreement Name	GAHP Project IRB (Sterling Downtown)	Lease Agreement between Bernalillo County and UR Silver LLC	Los Poblanos Project (dated 3/1/2016)
Name of agency affected by abatement agreement (Affected Agency)	Middle Rio Grande Conservancy District	Middle Rio Grande Conservancy District	Middle Rio Grande Conservancy District
Agency number of Affected Agency	4027	4027	4027
Agency type of Affected Agency	Special District	Special District	Special District
Recipient(s) of tax abatement	The Greater Albuquerque Housing Partnership (GAHP),	UR Silver LLC	Rembe Family, LLC
Tax abatement program (name and brief description)	PRB - Multifamily Housing Revenue Note (The Sterling Downtown Project), Series 2016	IRB - Taxable Industrial Revenue Bonds (Series 2014A)	IRB - Taxable Industrial Revenue Bonds (Series 2016)
Specific Tax(es) Being Abated	Real property tax	Real Property tax	Real Property tax
Authority under which abated tax would have been paid to Affected Agency	NMSA §3-45 Municipal Housing Law	NMSA §7-37-6	NMSA §7-37-6
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Real Property tax :	Real Property tax :	Real Property tax :
	$666.06	$11,626.34	$17,256.74
	Personal Property tax :	Personal Property tax :	Personal Property tax :
	$0.00	$0.00	$0.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	none	none	none
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A	N/A	N/A

NOTE 13. TAX ABATEMENT DISCLOSURES (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	5001	5001	5001
Abating Agency Name	Bernalillo County	Bernalillo County	Bernalillo County
Abating Agency Type	County	County	County
Tax Abatement Agreement Name	One Central Parking Project	Rio Bravo Brewing Project dated 2/1/2016)	US Foodservice, Inc. Project
Name of agency affected by abatement agreement (Affected Agency)	Middle Rio Grande Conservancy District	Middle Rio Grande Conservancy District	Middle Rio Grande Conservency District
Agency number of Affected Agency	4027	4027	4027
Agency type of Affected Agency	Special District	Special District	Special District
Recipient(s) of tax abatement	One Central Associates	DRB Properties and Rio Bravo Brewing Co	US Foodservice, Inc.
Tax abatement program (name and brief description)	IRB - Taxable Industrial Revenue Bonds, Series 2016A	IRB - Taxable Industrial Revenue Bonds (Series 2016)	Taxable Industrial Revenue Bonds
Specific Tax(es) Being Abated	Real Property tax	Real Property tax	Real and personal property tax exemption
Authority under which abated tax would have been paid to Affected Agency	NMSA §7-37-6	NMSA §7-37-6	NMSA §7-37-6
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Real Property tax :	Real Property tax :	Real Property tax :
	$962.03	$1,849.97	$23,709.59
	Personal Property tax :	Personal Property tax :	Personal Property tax :
	$0.00	$0.00	$0.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	none	none	none
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A	N/A	N/A

REQUIRED SUPPLEMENTAL 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*

		June 30:				
Fiscal Year		2019	2018	2017	2016	2015
Measurement Date		2018	2017	2016	2015	2014
District's proportion of the net pension liability		0.9839%	0.9167%	0.9355%	0.9641%	0.9750%
District's proportionate share of the net pension liability	$	15,687,008	12,596,234	14,946,142	9,829,835	7,606,046
District's covered payroll	$	8,305,085	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		188.88%	156.44%	186.16%	122.43%	94.74%
Plan fiduciary net position as a percentage of the total pension liability		71.13%	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:				
		2019	2018	2017	2016	2015
Contractually required employer contribution	$	826,103	793,135	768,886	766,736	766,746
Contributions in relation to the contractually required employer contribution	$	826,103	793,135	768,886	766,736	766,746
Contribution excess		-	-	-	-	-
District's covered payroll	$	8,651,794	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%	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.

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, 2018 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*

	June 30:		
Fiscal Year	2019	2018	2017
Service cost at end of year	$ 446,136	429,225	496,774
Interest	$ 369,767	316,992	258,276
Difference between expected and actual experienc	$ (648,293)	-	-
Changes of assumptions or other inputs	$ (886,574)	(295,116)	(800,395)
Benefit payments	$ (225,003)	(169,766)	(155,558)
Net change in total OPEB liability	$ (943,967)	281,335	(200,903)
Total OPEB liability - beginning	$ 9,219,996	8,938,661	9,139,564
Total OPEB liability - ending	$ 8,276,029	9,219,996	8,938,661
Covered-employee payroll	$ 8,830,062	8,460,665	8,316,934
Total OPEB liability as a percentage of covered-employee payroll	93.73%	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 District will present information for those years for which information is available.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS AND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
Last 10 Fiscal Years*

		June 30:		
		2019	2018	2017
Contractually required employer contribution	$	225,003	169,766	155,558
Contributions in relation to the contractually required employer contribution	$	225,003	169,766	155,558
Contribution excess (deficiency)	$	-	-	-
District's covered payroll	$	8,830,062	8,460,665	8,316,934
Contributions as a percentage of covered payroll		2.55%	2.01%	1.87%

* 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 District will present information for those years for which information is available.

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, INVESTMENTS AND PLEDGED COLLATERAL
Year Ended June 30, 2019

Account Name		Type		Reconciled Balance	Wells Fargo Bank NM, NA	Bank of America
Cash and cash equivalents						
G/F Operating		Checking		$ 797,097	1,357,549	-
G/F Basic Flex Plan		Checking		4,178	5,012	-
G/F Payroll		Checking		(465)	-	-
Water Bank fund		Checking		604,577	-	604,577
Endowment fund		Savings		634,773	-	634,773
Petty cash / assessment drawer				900	-	-
Restricted cash and cash equivalents						
NMFA Debt Servicing***				112,706	-	-
NMFA Reserve Funds***				277,690	-	-
NMFA Program funds***				514,034	-	-
Investments						
NM LGIP - G/F Operating				15,417,401	-	-
NM LGIP - Endowment				6,591,627	-	-
Total cash and cash equivalents and investments				$ 24,954,518		
Total bank deposits					$ 1,362,561	1,239,350
Less: FDIC coverage					(250,000)	(250,000)
Total uninsured public funds					1,112,561	989,350
50% collateral requirement (*Section 6-10-17 NMSA 1978*)					556,281	494,675
Pledged Collateral:						
FNMA	31417DSC8	3.00%	10/1/2042		721,685	-
FMAC	3132QNQC0	4.50%	2/1/2042		-	16,095
FNMA	3138EGJZ8	5.50%	10/1/2038		-	22,747
FNMA	3138EGWW0	5.00%	4/1/2041		-	11,957
FNMA	3138WDZS3	4.00%	1/1/2045		-	12,305
FNMA	31419AG35	4.50%	8/1/2040		-	968,330
FNMA / FMAC	Various similar securities				-	7,380
Total collateral					721,685	1,038,814
Amount over / (under) collateralized					$ 165,404	544,139

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

***NMFA is a governmental agency which must itself comply with state investment policies

Reconciliation to Statement of Net Position:	
Cash and cash equivalents	2,041,060
Restricted cash and cash equivalents	904,430
Investments in local government investment pool	22,009,028
Total cash and cash equivalents and investments	$ 24,954,518

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH, INVESTMENTS AND PLEDGED COLLATERAL
Year Ended June 30, 2018

Account Name		Type		Reconciled Balance	Wells Fargo Bank NM, NA	Bank of America
Cash and cash equivalents						
G/F Operating		Checking		$ 2,110,247	2,392,569	-
G/F Basic Flex Plan		Checking		3,825	3,825	-
G/F Payroll		Checking		-	-	-
Water Bank fund		Checking		604,336	-	604,336
Endowment fund		Savings		633,769	-	633,519
Petty cash				600	-	-
Assessement drawer				300	-	-
Investments						
NM LGIP - G/F Operating				12,952,592	-	-
NM LGIP - Endowment				6,591,627	-	-
Total cash and cash equivalents and investments				$ 22,897,296		
Total bank deposits					$ 2,396,394	1,237,855
Less: FDIC coverage					(250,000)	(250,000)
Total uninsured public funds					2,146,394	987,855
50% collateral requirement (*Section 6-10-17 NMSA 1978*)					1,073,197	493,928
Pledged Collateral:						
FMAC	3128PWMK1	3.00%	9/1/2026		302,494	-
FNMA	3138WFXP8	3.50%	2/1/2047		302,488	-
FNMA	31417DSC8	3.00%	10/1/2042		293,519	-
FNMA	31418BVJ2	3.00%	10/1/2035		418,433	-
FNMA	31419ADV6	5.50%	12/1/2035		-	1,036,207
FNMA / FMAC	Various similar securities				-	1,037
Total collateral					1,316,934	1,037,244
Amount over / (under) collateralized					$ 243,737	543,316
Collateral held by Bank of New York Mellon, NY, NY.						
Reconciliation to Statement of Net Position:						
Cash and cash equivalents					3,353,077	
Investments in local government investment pool					19,544,219	
Total cash and cash equivalents and investments					$ 22,897,296	

COMPLIANCE SECTION

1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 *office* www.riccicpa.com

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 Auditors' 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
Brian S Colón, Esq., 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, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2019.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 9, 2019

A. SUMMARY OF AUDIT RESULTS

Type of report issued:	Unmodified
Internal controls over financial reporting:	
Material weaknesses reported?	No
Significant deficiencies reported?	No
Noncompliance material to the financial statements noted?	No

B. PRIOR YEAR AUDIT FINDINGS

2018-001	Capital Asset Disposal (Other Non-Compliance)	Resolved

C. CURRENT YEAR AUDIT FINDINGS

None

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2019

An exit conference was held on December 9, 2019, to discuss the annual financial report. Attending were the following:

Middle Rio Grande Conservancy District:

Mike Hamman	Chief Executive Officer
David M. Fergeson	Secretary/Treasurer
Santiago Chavez	Incoming Secretary/Treasurer
Melin Villegas-Vargas	Accounting Manager
Valerie Moore	Director
John Kelly	Director
Barbara Baca	Director

Ricci & Company, LLC:

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.