STATE OF NEW MEXICO
MIDDLE RIO GRANDE
CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Official Roster
June 30, 2015

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 Lovelace	Division No. 3
Honorable Beatrice Brickhouse	Division No. 4
Honorable Nancy J. Francini	Division No. 5
Honorable Briana Zamora	Division No. 6
Honorable John J. Romero	Division No. 7
Honorable Cristina T. Jaramillo	Division No. 8
Honorable Judith Nakamura	Division No. 9
Honorable Christina P. Argyres	Division No. 10
Honorable Gerard Lavelle	Division No. 11
Honorable Clay Campbell	Division No. 12
Honorable Valerie A. Huling	Division No. 13
Honorable Marie Ward	Division No. 14
Honorable Alan Malott	Division No. 15
Honorable Carl Butkus	Division No. 16
Honorable Nan G. Nash	Division No. 17
Honorable Denise Barela-Shepherd	Division No. 18
Honorable Benjamin Chavez	Division No. 19
Honorable Jacqueline D. Flores	Division No. 20
Honorable Alisa Hadfield	Division No. 21
Honorable Deborah Davis Walker	Division No. 22
Honorable Shannon Bacon	Division No. 23
Honorable Debra Ramirez	Division No. 24
Honorable Elizabeth Whitefield	Division No. 25
Honorable Charles Brown	Division No. 26
Honorable Victor Lopez	Division No. 27

BOARD OF DIRECTORS

	Position No.	County
Derrick J. Lente, Chair	7	Sandoval
Adrian Oglesby, Vice-Chair	4	Bernalillo
Glen Duggins	1	At-Large
John Kelly	2	Bernalillo
Karen Dunning	3	Bernalillo
Beverly Dominguez Romero	5	Valencia
Chris Sichler	6	Socorro

OFFICERS

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

Ricci &Company

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

Independent Auditor's Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico and
The Board of Directors of the
Middle Rio Grande Conservancy District and
Mr. Timothy Keller, 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 comparisons for the general fund of the Middle Rio Grande Conservancy District, (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, 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, 2015 and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in conformity 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, GASB 68 required supplementary pension schedules on pages 45-47, and the schedule of funding progress for the retiree health and dental insurance plan on page 48 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 accounts and pledged collateral as of June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of cash accounts and pledged collateral at June 30, 2015 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of cash accounts and pledged collateral at June 30, 2015 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
December 10, 2015

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
(Required Supplementary Information)

The Middle Rio Grande Conservancy District (District) operates, maintains and manages irrigation, drainage, and river flood control in the Middle Rio Grande Valley. Additional information about the District and its mission can be found in Note 1. The District relies solely on the revenues it collects from ad valorem assessments (through the county treasurers), water service charges, water bank fees and miscellaneous revenue it collects from contracts with governmental entities and others. We must also manage our expenses within these revenues and any reserves available. For several years expenses have exceeded revenues resulting in the drawing down these reserves. It has become necessary to increase the ad valorem mill and water service charge rates over the past two fiscal years. During this time management has sought to control expenditures in order to bring revenues and recurring expenses in balance.

The District is also seeking ways to leverage other funding sources such as state and federal grants for projects and non-recurring expenditures. Steps have been taken to hire a grants consultant to research and find funding sources to assist the District in securing additional funding for non-recurring expenses and needed projects.

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 for the fiscal year ending June 30, 2015. On January 19, 2015 Mike Hamman joined the District as CEO/Chief Engineer replacing Subhas Shah. In addition, David M. Fergeson became the Secretary/Treasurer on July 1, 2014 replacing Steve Houser who retired. Changes have been made that have had a direct impact on the financial statements and the operations of the District.

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 liability 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 give 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.

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
(Required Supplementary Information)

Statement of Net Position

	FY 2015	FY 2014	Percent Change
Assets			
Current and other short term assets	$ 22,082,322	$ 23,702,746	-6.84%
Long term assets	2,623,784	2,623,784	0.00%
Capital assets, net of depreciation	24,193,944	19,905,672	21.54%
Total Assets	48,900,050	46,232,202	5.77%
Deferred Outflows of Resources	1,557,950	-	100.00%
Liabilities			
Current Liabilities	1,141,150	1,190,262	-4.13%
Long term liabilities excluding NPL	4,805,728	4,347,775	10.53%
Net pension liability	7,606,046	-	100.00%
Total Liabilities	13,552,924	5,538,037	144.72%
Deferred Inflows of Resources	2,980,841	-	100.00%
Net Position			
Invested in Capital Assets	24,056,597	19,905,672	20.85%
Unrestricted	9,867,638	20,788,493	-52.53%
Total Net Position	$ 33,924,235	$ 40,694,165	-16.64%

Statement of Activities

	FY 2015	FY 2014	Percent Change
Revenues			
Program Revenues	$ 5,762,610	$ 3,147,342	83.09%
General Revenues	14,780,012	13,475,800	9.68%
Total Revenues	20,542,622	16,623,142	23.58%
Expenses			
Public Works	17,830,437	18,328,298	-2.72%
Change in Net Position	2,712,185	(1,705,156)	-259.06%
Net Position, Beginning of Year	40,694,165	42,399,321	-4.02%
Prior Period adjustment	(9,482,115)	-	100.00%
Net Position, End of Year	$ 33,924,235	$ 40,694,165	-16.64%

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
(Required Supplementary Information)

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION

ASSETS

- Total Assets increased in FY 2015 by $2.6 million primarily as a result of capturing the construction costs of the San Acacia to Bosque del Apache levee project (San Acacia project). This increase was offset by a reduction in current and other short term assets (see details below).
- Current and other short term assets decreased by $1.6 million. Cash and investments are down primarily as a result of payment of $900,000 for the Districts matching portion of the San Acacia project. Inventory reflects a slight downward movement. Management made an effort during the past year to monitor and reduce the amount of inventory on hand. The District intends to work towards a 'just in time' inventory method where possible. This will be an ongoing effort due to the quantities of inventory on hand that need to be reduced to manageable levels.
- Capital Assets increased $4.3 million; $4.0 million as a result of the District's participation in the San Acacia project that was started construction in fiscal year 2015 and $300,000 from the purchase of heavy equipment.

LIABILITIES

- Total Liabilities increased significantly in fiscal year 2015 as a result of the implementation of GASB 68. *To better illustrate the effects of GASB 68, the 2014 balance sheet on page 6 is as previously reported, before the pension liability is recognized as a prior period adjustment.*
- Long term liabilities excluding the net pension liability increased due to a loan of $150,000 required as part of the funding requirements related to receiving a grant from the Water Trust Board. In addition, an increase in the funding component of the retiree health benefits contributed to this increase.
- The accrued compensated balances have represented a large liability on the balance sheet for several years. The Board of Directors, at the request of CEO, approved a plan to buy down the annual leave portion of this liability over the next three years and to cap the annual leave carryover balances at 240 hours per employee beginning in calendar year 2018. Employees will no longer be allowed to carryover 'large' annual leave balances unless there are extenuating circumstances and the carryforward has been approved by the Human Resources Director and the CEO. The first payout occurred in June 2015 for approximately $46,000. A second payout is scheduled in February 2016 for approximately $80,000. This liability will also be reduced over the next several years as several tenured employees will reach retirement age and will be paid for their accrued leave upon retirement. This will also have an impact on the budget and cash flows when these payments are made.

DEFERRED INFLOWS AND OUTFLOWS

- As part of the implementation of GASB 68, changes in the net pension liability (NPL) not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Deferred outflows and inflows between projected and actual earnings on plan investments are to be recognized over 5 years. Deferred outflows are due to actual non-investment experience that was worse than expected and changes to the benefits or assumptions which result in an increase to the NPL. Deferred inflows are due to actual non-investment experience that was better than expected and changes to the benefits or assumptions which result in a decrease to the NPL.

NET POSITION

- In summary, the District's Total Net Position decreased by $6.8 million for the fiscal year ended June 30, 2015. The major portion of the decrease was $9.5 million due to the prior period adjustment associated with implementation of GASB 68. This was offset by the increase of $4.3 million in capital assets as a result of the San Acacia project and the purchase of heavy equipment. The net difference in the deferred inflows and outflows of resources accounted for an additional increase of $1.4 million.

FINANCIAL HIGHLIGHTS - STATEMENT OF ACTIVITIES

REVENUES

- Program revenues increased as a result of $3,003,968 received from the Water Trust Board for the San Acacia project and a slight increase of $98,500 in the Water Service Charge revenues. This was offset by reductions in other revenue. The increase in the Water Service Charge revenues is not the result of the rate increase as that increase did not take effect until calendar year 2015 and was not billed until November 2015. Any increases from this rate increase will be reflected in the FY 2016 financial statements.

- General Revenues increased by approximately $1.3 million. Ad valorem revenue increased by $1.1 M as a result of the increase in mill rate approved by the Board in May 2014 and gains on the sale of obsolete equipment increased by $.1 million.

- Program expenses compared to fiscal year 2014 were approximately $500,000 less in fiscal year 2015. Employee benefits were down $442,000 and field expenses were down $225,000 while general and administrative expenses increased by about $163,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares its budget each year using historical information combined with knowledge of activities planned for the following year. The budget undergoes internal scrutiny and adjustment by the Treasurer and the CEO. It is then submitted to the Finance Committee before going to the Board of Director's for review and approval. Once the budget is adopted by the Board it is submitted to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for approval. This must be done by June 1st of each year. 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 District does not adopt a legal budget for the special revenue fund. The expenditures of the general fund may not legally exceed the budget.

The budgetary comparisons are presented on a non-GAAP budgetary basis. For the fiscal year ended June 30, 2015, the District budgeted expenditures exceeded revenues by $5,716,766. Reserves of cash invested in the Local Government Investment Pool were used to balance the budget and complete the budget process.

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

For the year ended June 30, 2015, actual revenues were $20,773,498 or $688,875 higher than anticipated in the budget. Ad Valorem Assessment Revenue was significantly higher than budgeted but this was offset in large part by an unfavorable variance from operating grants. The budget anticipated funding for the San Acacia project from the Interstate Stream Commission and the State of New Mexico would flow through the District to the Corp of Engineers. Instead the money was paid directly to the Corp of Engineers creating a budget variance. In addition, the budget did not include any funding from the Bureau of Indian Affairs for FY 2015 as the contract was still in negotiations at the time the budget was adopted. The contract was finalized during the fiscal year and the revenue received created a favorable variance.

For the year ended June 30, 2015, actual expenditures were $21,737,969 while budgeted expenditures were $25,801,389 resulting in a favorable variance of $4,063,692. Salaries and benefits were approximately $709,000 less than budgeted due to vacancy savings. The reduction in the price of gasoline and diesel fuel saved the District over $160,000. As stated previously funding from the Interstate Stream Commission and State of New Mexico was paid directly to the Corp of Engineers resulting in a reduction of expenditures of over $2.4 million. Several anticipated projects did not materialize creating savings of about $500,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets increased by $4,288,272 primarily due to the District's involvement in the San Acacia to Bosque del Apache levee project. This project began this year with the District providing funding of $900,000 to the project ($300,000 each year for fiscal years 2013, 2014 and 2015). In addition, the Water Trust Board provided funding to the District of $3,003,968 of which $153,968 was a loan that is to be paid back over 30 years. Loan payments are due by June 1 of each year.

DISTRICT HIGHLIGHTS

Change in Officers During Fiscal year 2015

- Mike Hamman PE was selected by the Board of Directors to serve as the CEO/Chief Engineer for the District. He assumed his new role on January 19, 2015 replacing Subhas Shah PE who retired.
- David M. Fergeson CPA, CGMA took over on July 1, 2014 as the Secretary/Treasurer replacing Steve Houser who retired.

Change in Mill Rate

- On May 27, 2014 the District's Board of Directors increased the mill rate levy to $4.17 for residential customers and $5.21 for non-residential customers effective with the assessments mailed out in the later part of 2014. They also increased the water service charge from $28 per acre to $31 per acre beginning with calendar year 2015.

- On May 26, 2015 the District's Board of Directors increased the mill rate levy to $4.379 for residential customers and $5.471 for non-residential customers effective with the assessments mailed out in the later part of 2015. They also increased the water service charge from $31 per acre to $34 per acre beginning with calendar year 2016.

- District management believes these rate increases had to be implemented to keep revenues in line with recurring operating costs. Management is committed to monitoring its expenses and to keeping them in line with needs and requirements of operations but realized that revenues had not kept up with operational needs. Therefore, rate increases were recommended to the Board of Directors. Further analysis is being performed to determine if additional increases are needed going forward. In addition, funding for non-recurring needs is being looked at separately and alternative funding sources are being sought. As stated earlier, the District will be hiring a grants consultant to assist in finding alternative funding sources.

Asset Management Plan

- The District has begun developing an asset management plan for its aging vehicles and equipment. Repair costs continue to rise as the District's equipment ages and management believes it is vital to the operations of the District to develop and implement this plan. In addition, a requirement of receiving funding from the Water Trust Board was that the District provides them with our asset management plan.

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 in the amount of $2.6 million. Steps are being taken to realize this revenue either in cash or in in-kind contributions for future projects with the Department of the Army. When the revenue is received, the District has an offsetting liability to Bernalillo County and AMFACA to repay them $811,770.

San Acacia to Bosque del Apache Project

- In August 2014 the District 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. The District also has $300,000 earmarked in its fiscal year 2016 budget for this project. In addition, the Water Trust Board has committed an additional $1.5 million to this project. Additional information about this project can be found in Note 13 to the financial statements.

Contract with the Bureau of Indian Affairs

- The District has a contract with the Bureau of Indian Affairs (BIA) to provide operation and maintenance services on the Pueblo Facilities that expires February 29, 2016. The District and BIA are currently in negotiations to renew this contract before it expires next year.

Five Year Plan

- The District management is in the process of developing a five year plan that will assist in the budgeting process and also the direction for the entire District. Managers have been asked 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 in the early stages of development.

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
(Required Supplementary Information)

Economic Factors and Next Year's Budget

The approved budget for fiscal year 2016 was $21,427,491. As revenues are projected to be $18,749,122 it will require the District to draw from reserves to balance the budget. Management is committed to monitoring expenses during the year to minimize the amount of funds that must be taken from the surplus.

As stated earlier, rate increases have been approved to bring revenues more in line with required expenditures. It is anticipated that additional rates increases may be necessary to balance the budget. 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
STATEMENT OF NET POSITION
June 30, 2015

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	2,434,743
Investment in Local Government Investment Pool		16,016,859
Current receivables, net:		
Ad valorem assessments, net of allowance of $328,917		1,933,641
Water service and delinquency charges, net of allowance of $255,800		284,668
Government Contracts		
Federal		111,649
Local		224,437
Other		158,077
Material and supply inventories, at cost		918,248
Contract receivable from United States Department of the Army due after one year		2,623,784
Capital assets		
Land		457,134
Depreciable property, equipment, and infrastructure, net of accumulated depreciation		23,736,810
Total assets		48,900,050
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to measurement date		1,557,950
LIABILITIES		
Vouchers payable		140,020
Accrued payroll and related benefits payable		363,069
Other liabilities		30,408
Accrued compensated absences:		
Payable within one year		600,183
Payable after one year		484,553
Note payable:		
Payable within one year		7,470
Payable after one year		129,877
Payable to local governments, due after one year		811,770
Net pension liability		7,606,046
Obligation for postemployment benefits, payable after one year		3,379,528
Total liabilities		13,552,924
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		2,980,841
NET POSITION		
Net investment in capital assets		24,056,597
Unrestricted		9,867,638
Total net position	$	33,924,235

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Governmental Activities
Program Expenses		
Public works:		
Personnel services	$	8,182,932
Employee benefits		3,623,768
Contractual operating and maintenance services		654,473
Field expenses		1,987,256
General and administrative expenses		2,265,432
Depreciation		1,457,684
Internal costs capitalized		(341,392)
Total program expenses		17,830,153
Program Revenues		
Charges for services:		
Water services assessments		1,627,265
Contracts with governmental entities		
Federal		767,285
Local		276,947
Other revenue		169,284
Operating grants		2,921,829
Total program revenues		5,762,610
Net program expense		(12,067,543)
General revenues		
Ad valorem assessments		14,168,297
Delinquency charges		266,131
Investment income		31,207
Gain on equipment and property removal		129,020
Gain on land sales and water bank leases		185,073
Total general revenues		14,779,728
Increase in net position		2,712,185
Net position, beginning of year		40,694,165
Restatement		(9,482,115)
Net position, beginning of year, as restated		31,212,050
Net position, end of year	$	33,924,235

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

		General	Special Revenue	Governmental Funds
ASSETS				
Cash and cash equivalents	$	1,255,178	1,179,565	2,434,743
Investment in Local Government Pool		9,425,232	6,591,627	16,016,859
Current receivables, net:				
Ad valorem assessments, net of allowance of $328,917		1,933,641	-	1,933,641
Water service and delinquency charges, net of allowance of $255,800		284,668	-	284,668
Governmental Contracts				
Federal		111,649	-	111,649
Local		224,437	-	224,437
Interfund receivable		-	25,391	25,391
Other		158,077	-	158,077
Material and supply inventories, at cost		918,248	-	918,248
Contract receivable from United States Department of Army, due after one year		2,623,784	-	2,623,784
Total assets	$	16,934,914	7,796,583	24,731,497
LIABILITIES				
Vouchers payable	$	140,020	-	140,020
Accrued payroll and related benefits payable		363,069	-	363,069
Interfund payable		25,391	-	25,391
Other liabilities		30,408	-	30,408
Payable to local governments, due after one year		811,770	-	811,770
Total liabilities		1,370,658	-	1,370,658
DEFERRED INFLOWS OF RESOURCES				
Revenue not available to pay current period expenditures		3,871,073	-	3,871,073
Total liabilities and deferred inflows of resources		5,241,731	-	5,241,731
FUND BALANCES				
Nonspendable inventories		918,248	-	918,248
Committed		-	7,192,973	7,192,973
Assigned		4,773,783	603,610	5,377,393
Unassigned		6,001,152	-	6,001,152
Total fund balances		11,693,183	7,796,583	19,489,766
Total liabilities, deferred inflows of resources and fund balances	$	16,934,914	7,796,583	24,731,497

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 BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015

Total fund balances (Balance sheet)	$	19,489,766
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,193,944
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.		3,871,073
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the funds		(1,422,891)
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		(1,084,736)
Note payable		(137,347)
Net pension liability		(7,606,046)
Obligation for postemployment benefits		(3,379,528)
Total net position (Statement of net position)	$	33,924,235

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
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

		General	Special Revenue	Governmental Funds
Revenues				
Ad valorem assessments	$	14,160,780	-	14,160,780
Water service assessments		1,652,999	-	1,652,999
Delinquency charges		266,131	-	266,131
Investment income		30,736	470	31,206
Contracts with governmental entities				
Federal		849,719	-	849,719
Local		293,093	-	293,093
Operating grants		3,173,824	-	3,173,824
Other		169,284	-	169,284
Water bank leases		176,932	-	176,932
Land sales		-	8,141	8,141
Total revenues		20,773,498	8,611	20,782,109
Expenditures				
Public works				
Current operations		16,917,865	-	16,917,865
Capital outlays		5,405,142	-	5,405,142
Debt service:				
Principal		13,049	-	13,049
Interest		645	-	645
Total expenditures		22,336,701	-	22,336,701
(Deficiency) excess of revenues over expenditures		(1,563,203)	8,611	(1,554,592)
Other Finance Sources (Uses)				
Equipment disposition proceeds		152,237	-	152,237
Loan proceeds		150,396	-	150,396
Total other financing sources (uses)		302,633	-	302,633
(Decrease) increase in fund balances		(1,260,570)	8,611	(1,251,959)
Fund balances, beginning of year		12,953,753	7,787,972	20,741,725
Fund balances, end of year	$	11,693,183	7,796,583	19,489,766

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 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

Decrease in fund balances (Statement of revenues, expenditures and changes in fund balances)	$	(1,251,959)
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.		5,746,534
Governmental funds do not report depreciation expense which is recorded in the statements of activities.		(1,457,684)
In the statements of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net position differs from the change in fund balances by the net book value of assets disposed.		(578)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds, net of prior year effect.		(391,431)
Governmental funds do not report the net change in compensated absences		126,350
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued or incurred		(150,396)
Principal repaid		13,049
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		1,557,950
Pension expense		(1,104,772)
Governmental funds do not report the net change in obligation for other postemployment benefits.		(374,878)
Increase in net position (statement of activities)	$	2,712,185

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, 2015

		Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues					
Ad valorem assessments	$	12,791,507	12,791,507	14,160,780	1,369,273
Water service assessments		1,755,654	1,755,654	1,652,999	(102,655)
Delinquency charges		172,500	172,500	266,131	93,631
Investment income		30,000	30,000	30,736	736
Contracts with governmental entities			-		-
Federal		80,000	80,000	849,719	769,719
Local		676,476	676,476	293,093	(383,383)
Operating and capital grants		4,278,986	4,278,986	3,173,824	(1,105,162)
Other		299,500	299,500	346,216	46,716
Total revenues		20,084,623	20,084,623	20,773,498	688,875
Expenditures					
Current Operations					
Personnel services		8,786,684	8,786,684	8,241,188	545,496
Employee benefits		3,865,512	3,865,512	3,702,068	163,444
Contractual operating and maintenance services		654,477	654,477	654,473	4
Field expenses		8,029,158	8,029,158	2,027,748	6,001,410
General and administration expense		3,141,108	3,141,108	1,707,350	1,433,758
Capital outlays		1,324,450	1,324,450	5,405,142	(4,080,692)
Total expenditures		25,801,389	25,801,389	21,737,969	4,063,420
(Deficiency) excess of revenues over expenditures		(5,716,766)	(5,716,766)	(964,471)	4,752,295
Other Financing Sources (Uses)					
Equipment disposition proceeds		-	-	152,237	152,237
Loan proceeds		-	-	150,396	150,396
Total other financing sources (uses)		-	-	302,633	302,633
(Deficiency) excess of revenues over expenditures and other sources (uses)	$	(5,716,766)	(5,716,766)	(661,838)	5,054,928
Prior year fund balance budget basis	$	5,716,766	5,716,766		

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

NOTE 1. ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

Other significant accounting policies of the District are discussed below.

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

Change in Accounting Principle
In the year ended June 30, 2015, the District implemented GASB 68 *Accounting and Financial Reporting for Pensions* which addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements that meet the characteristics defined in the new standard. The new standard substantially changed accounting and financial reporting for the District's participation in the Public Employees Retirement System ("PERA"), a cost sharing multiple-employer defined benefit retirement plan.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Change in Accounting Principle (Continued)
The standard impacted the District's government-wide financial statements which are presented using the economic resources measurement focus and the accrual basis of accounting. Participating employers (which includes the District) in the cost-sharing multiple-employer pension plan are required to recognize a liability for their proportionate share of PERA's net pension liability and to recognize as pension expense and to report deferred outflows of resources and deferred inflows of resources related to pensions for their proportionate share of PERA's pension expense and collective deferred outflows of resources and deferred inflows of resources. The District as a participating employer in the PERA plan has described current required information as reported in Note 9 to the financial statements.

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 between the General Fund and Special Revenue Fund is eliminated in the government-wide financial statements. Interfund receivables and payables of $25,391 at June 30, 2015 have been eliminated.

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, 2015); and unrestricted net position.

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

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

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The District's activities are all governmental activities and the District did not have proprietary or fiduciary funds during the year ended June 30, 2015. There are no non-major funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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 and the proceeds of District water bank leases. Withdrawals are limited to the direct expenses associated with the sale of land. Effective January 29, 2013, the Board of Directors directed that proceeds of water bank leases, which had previously been accounted for in the Special Revenue Fund, be accounted for in the General Fund. Authority is board resolution.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts.

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

The District is authorized to invest its money in contracts with banks, savings and loan associations or credit unions for the purchase and resale of specific securities (repurchase agreements). Money invested in repurchase agreements is required to be fully secured by obligations of the United States or other securities backed by the United States having a market value of at least 102% of the repurchase contract.

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, 2015, the carrying amount of the District's cash deposits was $2,433,843 and the bank balance on these accounts was $2,761,380. Funds in the amount of $2,261,380 as of June 30, 2015 were exposed to custodial risk due to being uninsured and were collateralized with securities held by the banks' trust departments not in the District's name.

C. Investments

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

The District's investment in the Local Government Investment Pool at June 30, 2015 consists of two accounts in the New Mexico State Treasurer's Local Government Investment Pool ("Pool"). Participation in the Pool is voluntary. Investments totaling $16,016,859 are stated at fair value based on quoted market value as of June 30, 2015.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investments (Continued)

The Pool was established in 1991 as a short-term investment fluid 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 Pool does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned by the Pool is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the Pool and the length of time the amounts in the Pool were invested.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in the Pool is subject to credit risk. The Pool is rated AAAm by Standard and Poor's as of June 30, 2015.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity ("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, 2015, the Pool's WAM, based on stated final maturity date, was 78 days.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2015, the Pool has no foreign currency risk, as all investments in the Pool are in United States dollar-denominated assets.

The District records the interest earned by the special revenue fund's investment in the Pool in the general fund. This amounted to $11,378 during the year ended June 30, 2015. The total interest earned in the Pool was $24,212 for the year ended June 30, 2015.

D. Inventories

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

E. Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported in the government-wide financial statements. 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. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets (Continued)

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. 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)

F. Employee Benefits

Compensated Absences
Qualified employees are entitled to accumulate annual leave which is payable to the employee upon termination or retirement. Employees earn annual leave at the rate of twelve days per year for the first five years of service, eighteen days per year for service of five to twenty years, and twenty four days per year for over twenty years of service. The maximum accrual of annual leave is 240 hours unless approved by the District's Chief Engineer. At June 30, 2015, accrued vested annual leave totaled $676,729.

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. At June 30, 2015, accrued vested sick leave totaled $346,217.

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2015, accrued vested compensatory leave totaled $32,667. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year. At June 30, 2015, accrued vested holiday leave totaled $29,123.

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

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico 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, on the economic resources measurement focus and accrual basis of accounting. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Employee Benefits (Continued)

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

G. Deferred Outflows/Inflows of Resources

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

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 pension investment experience and change in assumption in this category.

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including workers' compensation insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage during the years ended June 30, 2015 through 2011.

I. Fund Balances

The District reports fund balances in the following categories:

- Non-spendable —amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted — amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed — amounts that can only be used for specific purposes pursuant to formal action of the government's highest decision making authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Balances (Continued)

- 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.

As of June 30, 2015, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2016 ($2,678,369), and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2016 ($1,785,624), and the amount of encumbered funds pertaining to the budget for the year ended June 30, 2015 ($309,790) totaling $4,773,783.

The District through Board Resolution has earmarked funds received from the sale of excess District land to form an endowment for the District. The special revenue fund balance of $7,192,973 as of June 30, 2015 has been reported as a committed fund balance and $603,610 is assigned.

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

J. Net Position

The governmental activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board (GASB 63). Net position is displayed in three components as follows:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Net Position (Continued)

Invested in capital assets, net of related debt: 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.

K. Budgets and Budgetary Accounting

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

Expenditures of the general fund may not legally exceed the budget. 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)

L. Use of Estimates

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

M. Implementation of New Accounting Standards

GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27,* was approved in June 2012 and is effective for fiscal years starting after June 15, 2014. This Statement requires the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The District has implemented this statement effective in the year ended June 30, 2015. The implementation also resulted in the restatement of June 30, 2014 balances as discussed below.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts." The District has applied this statement at the same as statement 68.

As a result of implementing GASB 68 *Accounting and Financial Reporting for Pensions* and GASB 71 *Pension Transition for Contributions made Subsequent to the Measurement Date,* the District has restated the net position in the government-wide Statement of Net Position for the year ended June 30, 2014, as follows:

Net position as previously reported at June 30, 2014	$ 40,694,165
Prior period adjustment-Implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(10,993,767)
Deferred outflows – District contributions made during fiscal year 2014	1,511,652
Total prior period adjustment	(9,482,115)
Net position as restated June 30, 2014	$ 31,212,050

NOTE 3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

For the year ended June 30, 2015, general fund budgeted expenditures exceeded budgeted revenues by $5,716,766. Prior year cash and investment balances for the general fund were used to complete the budget process.

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.

In December 2009, the District received $1,700,000. During the year ended June 30, 2013, the District received reimbursement from the government in the amount of $49,999. The receivable due from the government at June 30, 2015 amounts to $2,623,784, and is reported in the accompanying statement of net position and balance sheet as a contract receivable due after one year. The District expects that the remaining funds will be authorized and appropriated by the federal government over a number of budget years subsequent to June 30, 2015, allowing for collection of this receivable. In the interim, the District is seeking to recognize these funds through in-kind matching on future projects.

In 2007, the District also entered into an agreement with the Albuquerque Metropolitan Arroyo Flood Control Authority ("AMAFCA") and the County of Bernalillo ("County"), whereby AMAFCA and 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 County will receive a pro rata share of the reimbursement. As of June 30, 2015, a combined payable to AMAFCA and County in the amount of $811,770, due after one year, is included in the accompanying statement of net position and balance sheet. It represents AMAFCA and 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, 2015, 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, 2015, water service assessments were assessed and levied at a uniform rate per acre of $28 based on acreage approximating 53,800. Ad valorem assessments for the year ending June 30, 2015 were assessed and levied at a rate of $4.17 per $1,000 of valuation of residential property and $5.21 per $1,000 valuation of nonresidential property based on valuations determined by the county assessors. Valuations for current and prior years are continually being modified pursuant to present laws, rules and regulations.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follow:

	Balance June 30, 2014	Increases	Decreases and Transfers	Balance June 30, 2015
Capital Assets				
Land	$ 457,145	-	11	457,134
Buildings and improvements	3,110,624	7,831	-	3,118,455
Office furniture and equipment	462,685	14,994	-	477,679
Computer software	389,560	-	-	389,560
Engineering equipment	158,239	-	-	158,239
Communication equipment	10,795	-	-	10,795
Motor vehicles and trailers	6,355,631	295,772	223,205	6,428,198
Weed and pest control equipment	359,033	-	20,965	338,068
Heavy field equipment	9,927,703	914,903	372,515	10,470,091
Shop and field equipment	216,771	9,035	7,550	218,256
Infrastructure	14,294,930	525,030	-	14,819,960
Construction in progress	202,785	3,978,968	-	4,181,753
Total capital assets	35,945,901	5,746,533	624,246	41,068,188
Less accumulated depreciation:				
Buildings and improvements	1,444,537	76,816	-	1,521,353
Office furniture and equipment	381,963	31,039	-	413,002
Computer software	184,246	53,906	-	238,152
Engineering equipment	134,213	3,185	-	137,398
Communication equipment	10,722	73	-	10,795
Motor vehicles and trailers	5,440,746	309,257	223,205	5,526,798
Weed and pest control equipment	310,673	17,617	20,965	307,325
Heavy field equipment	5,560,500	547,387	371,949	5,735,938
Shop and field equipment	165,058	9,407	7,550	166,915
Infrastructure	2,407,571	408,997	-	2,816,568
Total accumulated depreciation	16,040,229	1,457,684	623,669	16,874,244
Capital assets, net	$ 19,905,672	4,288,849	577	24,193,944

NOTE 7. REVENUE NOT AVAILABLE TO PAY CURRENT PERIOD EXPENDITURES

As described in Notes 2(A) and 4 to the financial statements, receivables which are not considered available are recorded as revenue not available to pay current period expenditures in the fund financial statements. Such revenues at June 30, 2015 are attributable to the following receivables:

Ad valorem assessments	$	1,569,896
Water service and delinquency charges		268,511
Governmental contracts –		
Federal		2,844,436
Local		-
	$	4,682,843

NOTE 8. LONG-TERM LIABILITIES

A. Long-Term Debt

During the fiscal year ended June 30, 2014, the District received approval for a loan from the New Mexico Finance Authority in the amount of $150,396 bearing interest at a rate of 0.25% for the completion of the first phase of the United States Army Corps of Engineers San Acacia to Bosque del Apache Unit Levee project. Net revenues from the general operations of the District will be pledged in repayment of this loan. The following are changes during the year ended June 30, 2015 related to this loan:

		Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Note Payable	$	-	150,396	13,049	137,347	7,470

Debt service requirements for the note are as follows:

		Principal	Interest	Total
2016	$	7,470	343	7,813
2017		7,488	325	7,813
2018		7,507	306	7,813
2019		7,526	287	7,813
2020		7,545	268	7,813
2021-2025		38,005	1,058	39,063
2026-2030		38,484	581	39,065
2031-2033		23,322	117	23,439
Totals	$	137,347	3,285	140,632

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

B. Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Compensated absences payable				
Payable within one year	$ 682,058	1,034,950	1,116,825	600,183
Payable after one year	529,028	405,134	449,609	484,553
	$ 1,211,086	1,440,084	1,566,434	1,084,736

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

NOTE 9. RETIREMENT PLAN

Plan description. Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article I NMSA 1978). The Public Employees Retirement Fund (PERA 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 Officer, 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 PERA 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at http://saonm.org/ using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

NOTE 9. RETIREMENT PLAN (CONTINUED)

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 for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to the District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were $724,225 and employer paid member benefits that were "picked up" by the employer were $780,725 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For the Municipal General Division, at June 30, 2015, the District reported a liability of $7,606,046 for its proportionate share of the net pension liability.

For the year ended June 30, 2015, the District recognized Municipal General Division pension expense of $1,104,772. At June 30, 2015, the District reported Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9. RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	$ -	(5,155)
Net difference between projected and actual earnings on pension plan investments	-	(2,975,686)
District contributions subsequent to the measurement date	1,557,950	-
Total	$ 1,557,950	(2,980,841)

$1,557,950 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(745,204)
2017		(745,204)
2018		(745,204)
2019		(745,204)
2020		(25)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

NOTE 9. RETIREMENT PLAN (CONTINUED)

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9. RETIREMENT PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal General Division:			
District's proportionate share of the net pension liability	$ 14,339,108	7,606,046	2,404,434

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at http://www.pera.state.nm.us/publications.html.

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 retirees are responsible for obtaining their own health and dental insurance coverage. The District's policy constitutes a single-employer defined benefit healthcare plan. During the year ending June 30, 2015, the District's contribution was 80% of the cost.

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. As of June 30, 2015, there were eighteen retirees receiving benefits.

Funding Policy. Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2015, the District contributed $154,744 under the plan.

Annual Expense and Net Obligation. The District's annual OPEB expense is calculated based on its annual required contribution ("ARC"), an amount actuarially determined in accordance with accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's OPEB expense for the year ending June 30, 2015 and changes in the obligation.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual required contribution	$ 394,413
Interest on net obligation	135,209
Contributions made from general fund	(154,744)
Increase in obligation	374,878
Obligation, beginning of year	3,004,650
Obligation, end of year	$ 3,379,528

Funded Status and Funding Progress. The funded status of the plan is as follows. The actuarial accrued liability ("AAL") as of June 30, 2015 is $4,746,925 and is equal to the unfunded actuarial accrued liability ("UAAL") as the plan has no assets. The funded ratio is 0%.

Covered payroll for the year ending June 30, 2015 is $8,182,932. UAAL is 58% of covered payroll for the year ending June 30, 2015.

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.

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 methods and assumptions used include techniques that are designed to reduce short-term volatility in the AAL, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation July 1, 2014, the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.5% initially declining to an ultimate rate of 3.84% in 2080 and beyond. The District's UAAL is being amortized using the level dollar, open amortization method.

NOTE 11. CONTINGENCIES

Silvery Minnow. In prior years, the District was a party to a number of lawsuits regarding protection of the silvery minnow, a fish which is native to the Rio Grande and is an endangered species. These actions were in regards to the United States government agencies' obligations and authorities to provide protection for the silvery minnow including managing river flow to accommodate their existence. Initial Court rulings had the United States Bureau of Reclamation ("Bureau") discretion to reduce deliveries of certain available water under its contracts with the District to comply with the Endangered Species Act. This ruling was dismissed on appeal. Currently, parties to those proceedings are abiding by a 2003 biological opinion issued by the United States Fish and Wildlife Service. The river flow requirements of this prior year biological opinion to accommodate the silvery minnows' continued existence have been met during the existing and previous irrigation seasons. In September, 2011, the Bureau issued a draft of an updated biological assessment. The District and other interested parties submitted comments on the draft and in September, 2012, a revised biological assessment was issued.

A new final biological opinion is expected to be issued in May 2016. It is the expectation of the District that the requirements of the biological opinion and operating practices to accommodate those requirements will have additional budgetary impacts in order to provide the District ESA coverage for the future operations of the District. The Board of Directors have approved a suite of actions that the District is committing to implement including the provision of $150,000 per year for supporting the science within the Collaborative Program. Similar amounts have been budgeted over the last five years for these purposes.

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

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

NOTE 11. CONTINGENCIES (CONTINUED)

In March, 2010, the Circuit Court ruled that the District Court erred in granting summary judgment to the United States government and should have simply dismissed the District's quiet title suit due to statute of limitation requirements. The Circuit Court further stated that their ruling did not settle the title dispute between the District and the United States Government and that the dispute remains to be settled by possible future judicial resolution. The District continues to assert its ownership of all District facilities and is working with the Bureau to resolve this matter. Without resolution between the parties or United States Congressional action, further title dispute resolution is dependent on future United States Government legal proceedings, if any.

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.

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

In 2013, the District received a notice of intent to sue the District by an employee. The suit is currently in the process of settlement.

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 have formed a technical team and a legal team to address the issues. No lawsuit has been filed.

NOTE 12. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

The reconciliation from the budgetary basis of accounting to the GAAP basis of accounting for the year ended June 30, 2015 is as follows for the general fund:

Deficiency of revenues expenditures on a non-GAAP budgetary basis	$	(661,838)
Prior year encumbrances		(1,063,087)
Current year encumbrances		309,790
Loan proceeds		150,396
Other		4,169
Decrease in fund balance on a GAAP basis	$	(1,260,570)

NOTE 13. COMMITMENTS

Bosque Revitalization @ Route 66. In July, 2008, the District entered into a project cooperation agreement with the United States Department of the Army ("government") under which the government agreed to perform certain work related to the environmental revitalization of the Bosque consisting of improving and restoring the ecosystem and constructing recreational features. The District was required to contribute 25% of the ecosystem restoration cost and 50% of the recreation cost. The construction was completed in April, 2010. In September, 2011, the government formally transferred responsibility for the operation and maintenance of the project to the District. In November, 2011, the government completed its interim accounting and cost share analysis for the project and advised the District that the District had met the requirements for the District's cost share of the project. Monitoring of the project by the government will continue through 2021. At the conclusion of the monitoring the government will complete a final accounting, and will advise the District of any additional costs required.

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

NOTE 13. COMMITMENTS (CONTINUED)

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 District is required to pay 50% of the cost of the study. During the years ended June 30, 2014 and 2013, the District made payments to the government in the amount of $200,000 and $300,000, respectively. No payments were made for the year ended June 30, 2015. During FY16, the District will pay $50,000 of the remaining commitment of $250,000 for this phase of the study.

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

The project management plan for segment one of the project, consisting of 7.3 miles, was signed by the District, ISC, and the government in August, 2014. Segment one of the project will take place in three phases. The estimated cost through phase two of segment one is approximately $34,000,000, of which approximately $29,000,000 would be paid by the government. The District, ISC, and other local entities would be responsible for the remaining $5,000,000.

In conjunction with funding commitments in 2014 and 2013, the District Board of Directors has approved loan/grant agreements with the New Mexico Water Trust Board ("Trust Board") and the New Mexico Finance Authority ("Finance Authority"). The Trust Board and the Finance Authority will provide $3,003,968 to finance the project in the form of grants in the amount of $2,853,572 and a loan in the amount of $150,396 (with certain revenues pledged). In the year ended June 30, 2015, the District drew down the full amount available under these agreements.

The District has budgeted $300,000 for costs of the project in each year of the three years ended June 30, 2015. In August, 2014, the District paid $975,000 to the government for its share of costs through phase two of segment one of the project, consisting of $900,000 of District funds and $75,000 from another local entity. It is expected ISC will contribute $1,186,032 and the State of New Mexico will contribute $1,000,000 from severance tax bond funding for the project. The District is continuing the process of obtaining commitments for the remaining balance of the project.

NOTE 13. COMMITMENTS (CONTINUED)

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

In July, 2014, the District Board of Directors agreed to execute an agreement with the United States Department of the Army ("government") for a feasibility study for flood risk management for the Town of Bernalillo, New Mexico. The government has estimated the cost of the feasibility study at $472,000, of which $236,000 would be paid by the government. The District's cost share of $236,000 would consist of cash of $226,000 and in-kind of $10,000. The District executed the agreement in December 2015 and agreed to pay $50,000 in FY16 and $50,000 in early FY17.

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 $309,790 at June 30, 2015 are included in assigned fund balances in the accompanying balance sheets.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2015, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

		2015
District's proportion of the net pension liability		0.9750%
Distict's proportionate share of the net pension liability	$	7,606,046
District's covered-employee payroll	$	8,028,757
District's proportionate share of the net pension liabilty as a percentage of its covered-employee payroll		94.74%
Plan fiduciary net position as a percentage of the total pension liability		81.29%

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

		2015
Contractually required contribution	$	762,276
Contributions in relation to the contractually required contribution		1,557,950
Contribution excess		795,674
District's covered-employee payroll	$	8,028,757
Contributions as a percentage of covered-employee payroll		19.40%

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PERA MUNICIPAL GENERAL DIVISION
For the Year Ended June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of $30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

MIDDLE RIO GRANDE CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH AND DENTAL INSURANCE PLAN
Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/14	$ -0-	$ 4,746,925	$ 4,746,925	0%	$ 8,182,932	58%
07/01/13	-0-	5,085,215	5,085,215	0%	8,097,904	63%
07/01/12	-0-	5,085,215	5,085,215	0%	7,793,016	65%
07/01/11	-0-	5,420,838	5,420,838	0%	7,501,458	72%
07/01/10	-0-	5,420,838	5,420,838	0%	7,201,112	75%
07/01/09	-0-	6,481,060	6,481,060	0%	7,103,713	91%
07/01/08	-0-	6,481,060	6,481,060	0%	6,885,040	94%
07/01/07	-0-	4,564,597	4,564,597	0%	6,358,723	72%

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, morality, and the time value of money to the accumulated plan benefits.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH ACCOUNTS AND PLEDGED COLLATERAL
Year Ended June 30, 2015

	Special Revenue Fund		
Bank of America	Water Bank	Fund	Total
Balance per books	$ 603,611	$ 575,954	$ 1,179,565
Balance per bank	$ 603,611	$ 575,954	$ 1,179,565
Less: FDIC coverage			250,000
Total uninsured public funds			929,565
50% collateral requirement			464,782
Pledged securities			976,072
Over (under)			$ 511,290

Collateralized by FNMA, GNMA, and FMAC issues as follows:

Cusip #	Interest Rate	Due	Collateral Value
31419GA79	4.00%	10/1/2040	$ 351,800
3138EHXR8	4.00%	2/1/2042	282,680
3138EGJZ8	5.50%	10/1/2038	87,993
3132GUBR4	3.50%	6/1/2042	84,464
31416XBU3	4.00%	11/1/2040	51,648
3132GRHL8	4.00%	2/1/2042	27,436
Seventeen similar securities			43,544
Collateral held by Bank of New York Mellon, NY, NY.			$ 929,565

Wells Fargo Bank NM, NA	General Fund	
Balance per books	$ 1,254,278	
Balance per bank	$ 1,581,815	$ 1,581,815
Less: FDIC coverage		250,000
Total uninsured public funds		1,331,815
50% collateral requirement		665,907
Pledged securities		1,193,727
Over (under)		$ 527,820

Collateralized by FNMA issues as follows:

Cusip #	Interest Rate	Due	Collateral Value
3132J8P20	3.00%	4/1/2043	311,523
3138W7GH1	3.00%	3/1/2043	271,097
31417ES77	3.00%	1/1/2043	201,177
31416J5J6	5.00%	1/1/2039	167,881
3138WUUS0	4.00%	9/1/2043	78,962
3136A62U7	2.00%	9/25/2041	55,477
Eight similar securities			107,610
Collateral held by Bank of New York, Mellon, NY, NY			$ 1,193,727

Reconciliation to financial statements:	
Bank of America	$ 1,179,565
Wells Fargo Bank, NM	1,254,278
Cash on hand	900
Total Cash	$ 2,434,743

OTHER INFORMATION

Middle Rio Grande Conservancy District
Schedule of Vendor Information for Purchases Exceeding $60,000 (excluding GRT)
For the Year Ended June 30, 2015
Prepared by Agency Staff Name: David M. Fergeson **Title:** Secretary/Treasurer **Date:** October 29, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	$ Amount of Awarded Contract	$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
Herbicide 7/29/14	Bid	Helena Chemical	$ 68,960.00		Helena Chemical Co. 8905 Adams NE Albuquerque, NM	Y	N	Herbicide Chemical
					Crop Production Services 8601 Hwy 418 Vado, NM			Bid Rejected
Waterman Gates & Parts	Bid	Waterman Industries	$ 69,429.84		Waterman Industries 25500 Rd. 204 Exeter, CA 93221	N	N	Waterman Slide Gates & Replacement Parts
Concrete/ Shotcrete 10/10/14	Bid	Coyote Gravel	$ 171,440.00		Coyote Gravel P.O. Box 12275 Albuquerque, NM	N	N	Concrete & Shotcrete Materials (Received award for Cochiti, Alubquerque and Belen Divisions)
		A-1 Quality	$ 19,050.00		A-1 Quality Redi Mix P.O. Box 591 Socorro, NM	Y	N	Concrete & Shotcrete Materials (Received award for Socorro Division) Left in schedule even though less than $60,000 as they were awarded the Socorro portion of this bid
					Albuquerque Gravel 8217 Central NW AYlNbuquerque, NM	Y	N	Concrete & Shotcrete Material
Lube Truck Body 2/13/15	Bid	Clark Truck	$ 91,326.00		Clark Truck 501 Industrial Ave NE Albuquerque, NM	Y	Y	Lube Truck Body
					MCT Industries 7451 Pan American Fwy Albuquerque, NM	Y	N	Lube Truck Body

OTHER REPORT

Ricci
&Company
Certified Public Accountants & Business Advisors

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Albuquerque, NM 87110
505.338.0800

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

Independent Auditor's Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Mr. Timothy Keller, 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, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2015.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002.

Middle Rio Grande Conservancy District's Responses to Findings

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

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
December 10, 2015

STATE COMPLIANCE SECTION

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

A. PRIOR YEAR AUDIT FINDINGS

Prior Year Findings Reported Not Repeated

2014-001	Personnel Policy (Other)
2014-002	Disbursements including Travel and Per Diem (Other)

Prior Year Findings Modified and Repeated

None

B. CURRENT YEAR AUDIT FINDINGS

2015-001	Incomplete Payroll Files (Other Non-Compliance)
2015-002	Procurement (Other Non-Compliance)

C. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS

2015-001 INCOMPLETE PAYROLL RECORDS (OTHER NON-COMPLIANCE)

CONDITION

During internal control testwork over payroll, it was noted that for four out of forty employees tested, there was not a signed acknowledgement form maintained in the employee's personnel file regarding future social security benefits.

CRITERIA

NMAC section 2.2.2.10 H(2)(c) requires state and local government employers to disclose to all new employees (hired on or after January 1, 2005) that their job is not covered by social security (if applicable) and to obtain a written statement from the employee that he or she is aware that future social security benefits may be reduced.

EFFECT

Employees may not be aware of the effect on their future social security benefits.

CAUSE

Per discussion with management, these employees were initially hired in a temporary position that did not require disclosure. The employees were later offered a permanent position.

RECOMMENDATION

Management should periodically audit personnel files to ensure required forms are maintained. In addition, management should provide training to ensure that employees responsible for payroll records are aware of all required documentation.

MANAGEMENT RESPONSE

This issue has been resolved. The problem occurred when 'temp' employees became 'permanent' and we had to remember to have them fill out the appropriate form. During new hire orientation the 'temp' employees have always been verbally informed that they would be subject to social security taxes until they become eligible to participate in PERA. As such, they were not required to fill out the form when originally hired. In the FY16 budget, the District elected to make all 'Temp' positions 'Permanent' positions effective in late November of 2015. On November 23, 2015 all temp positions became permanent with full benefits and subject to PERA contributions. When permanent employees are hired a standard part of the package is to have them sign the form acknowledging that future social security benefits may be reduced. The HR Director is the position responsible for ensuring all new hires have this form signed upon initial hire. All temporary employees that became permanent employees on November 23, 2015 have signed the form.

C. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS (Continued)

2015-002 PROCUREMENT (OTHER NON-COMPLIANCE)

CONDITION

During internal control test work over cash disbursements and procurement, it was noted that for two out of forty two items tested, purchase requisitions and purchase orders were initiated after purchases were already made and upon receipt of goods.

CRITERIA

The District's procurement regulations adopted by the Board are described as "Superseded MRGCD Rule 26" which incorporate the state's procurement code as prescribed by NMSA 1978, Sec 13-1-28 through 13-1-199.

EFFECT

Purchases were made without going through the proper procurement process and before receiving the proper approval.

CAUSE

Employees circumvented controls by not following the proper channels required for purchases.

RECOMMENDATION

Management should ensure that employees are complying with procurement regulations and internal controls by providing employees with the "Superseded MRGCD Rule 26" and by monitoring purchases.

MANAGEMENT RESPONSE

The District will furnish all employees with the "Superseded MRGCD Rule 26" and with additional information and instructions on the proper steps to purchasing. In addition, the Accounting Department will conduct periodic checks of purchases to ensure employees are adhering to the proper purchasing requirements. A written report of the steps that have been taken and the findings of each 'review' will be furnished to the Secretary/Treasurer. The Secretary/Treasurer will be accountable for ensuring the employees receive the rule and for following up and monitoring purchases. The rule will be provided to all employees by January 7, 2016. The monitoring and written reports will be performed throughout the rest of this fiscal year and in future years.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2015

A. EXIT CONFERENCE

An exit conference was held on December 10, 2015, to discuss the annual financial report. Attending were the following:

Representing the Middle Rio Grande Conservancy District:

Beverly Dominguez Romero	Board Member
Mike Hamman	Chief Executive Officer
David M. Fergeson	Secretary/Treasurer
Melin Villagas-Vargas	Accounting Manager

Representing the Independent Auditor:

Wayne Brown, CPA, Director

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.