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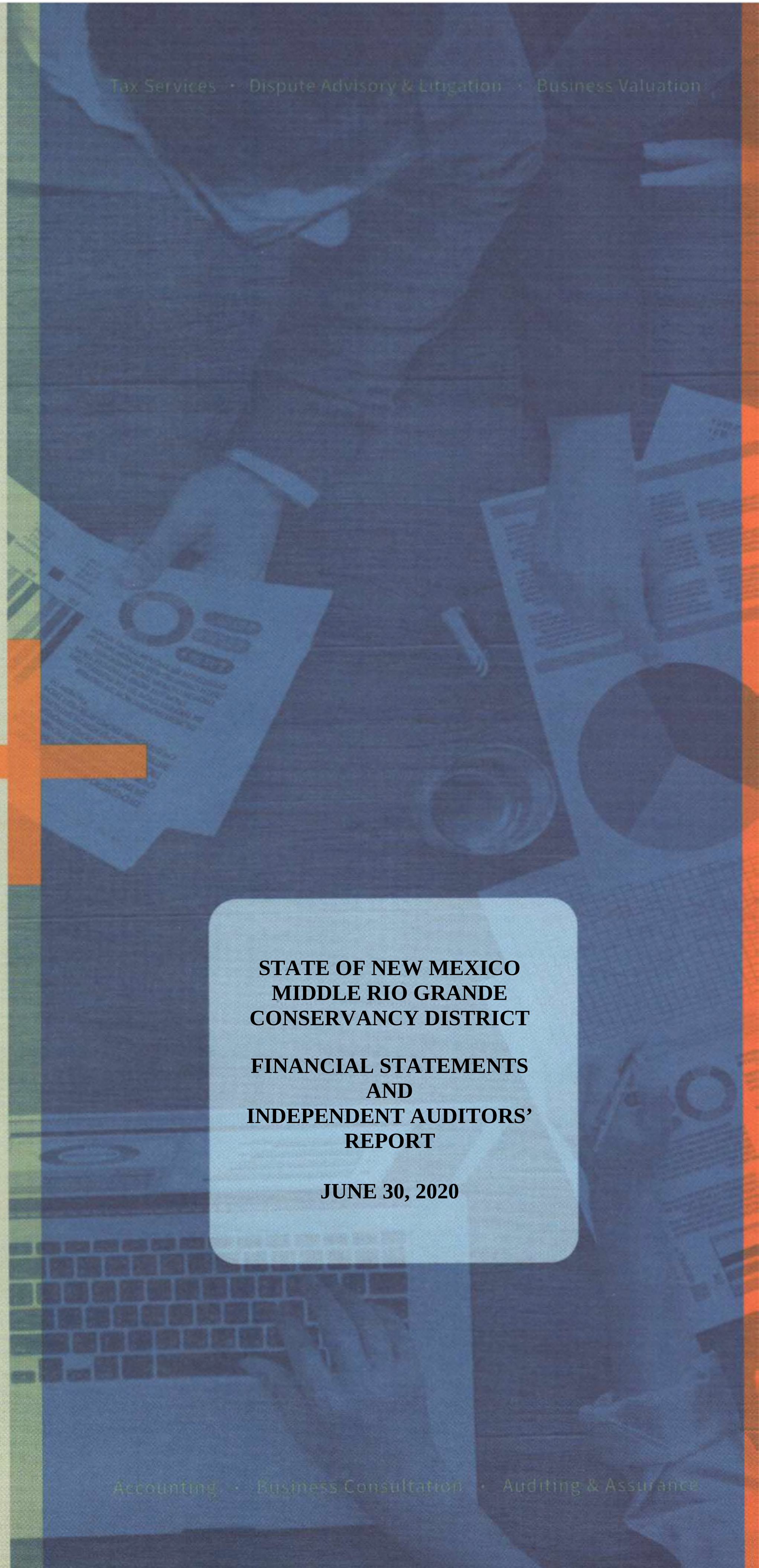

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Official Roster
June 30, 2020

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

Honorable William Parnall	Division No. 1	Honorable Stan Whitaker	Division No. 2
Honorable Brett R. Loveless	Division No. 3	Honorable Beatrice J. Brickhouse	Division No. 4
Honorable Nancy J. Franchini	Division No. 5	Honorable Daniel E. Ramczyk	Division No. 6
Honorable John J. Romero Jr.	Division No. 7	Honorable Cristina T. Jaramillo	Division No. 8
Honorable Cindy Leos	Division No. 9	Honorable Christina Argyres	Division No. 10
Honorable Gerard Lavelle	Division No. 11	Honorable Clay Campbell	Division No. 12
Honorable Lisa Chavez Ortega	Division No. 13	Honorable Marie Ward	Division No. 14
Honorable Daniel J. Gallegos	Division No. 15	Honorable Carl Butkus	Division No. 16
Honorable Erin B. O'Connell	Division No. 17	Honorable Denise Barela-Shepherd	Division No. 18
Honorable Benjamin Chavez	Division No. 19	Honorable Jacqueline Flores	Division No. 20
Honorable Alisa Hart	Division No. 21	Honorable Amber Chavez Baker	Division No. 22
Honorable Joshua A. Allison	Division No. 23	Honorable Debra Ramirez	Division No. 24
Honorable Jane Levy	Division No. 25	Honorable Charles Brown	Division No. 26
Honorable Victor Lopez	Division No. 27		

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

BOARD OF DIRECTORS

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

OFFICERS

Mike Hamman	CEO/Chief Engineer
Pamela Fanelli	CFO/Secretary/Treasurer
Jason Casuga	Chief Operations Officer
Jeanette Bustamante	Administrative Officer
Wiggins, Williams & Wiggins	General Counsel
Law & Resource Planning Associates	Chief Water Counsel

RICCI & COMPANY

1030 18th Street NW
Albuquerque, NM 87104
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Independent Auditors' Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Brian S. Colón, Esq., New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of the State of New Mexico, Middle Rio Grande Conservancy District, (District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the budgetary comparison for the general fund of the District as of June 30, 2020 and 2019 and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, the beginning net position for the year ended June 30, 2019 has been restated due to the correction of an error. Our opinion is not modified with respect to this matter.

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 5-14, GASBS 68 required supplementary pension schedules on pages 65-67, and the GASBS 75 OPEB schedule on pages 68 and 69 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 financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of cash, investments and pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, 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 7, 2020

Management's Discussion and Analysis of the Middle Rio Grande Conservancy District's (District) Annual Financial Report presents a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. Additional information about the District and its mission can be found in Note 1.

The Middle Rio Grande Conservancy District operates, maintains and manages irrigation, drainage, and river flood control in the Middle Rio Grande Valley. The District's primary sources of revenues are from ad valorem assessments, water service charges, water bank fees and miscellaneous revenue it collects from contracts with governmental entities. The District also receives grant funding. The District is required to manage its expenditures within its revenues and any reserves available. In fiscal year 2020, the District kept the ad valorem mill rates at 5.0693 for residential property and 6.3334 for non-residential property. For the year ending June 30, 2020, water service charge assessments were assessed and levied at a uniform rate per acre of $43.00. The District increased the water service charge rate from $43.00 per acre to $43.82 per acre in January of 2020 however these rates will be billed in fiscal year 2021.

The District experienced a difficult 2020 irrigation season. The summers of 2019 and 2020 were hot and dry, monsoons did not provide significant water, and snowpack was light which resulted in the District seeing about 36% of average inflow into the El Vado Dam during the runoff of 2020. The District started out the 2020 irrigation season with only Prior and Paramount reserve water and a small amount of Rio Grande in storage in the El Vado Dam due to the restrictions of Article VII of the Rio Grande Compact. In order to keep delivering water to the farmers of the Valley, the District borrowed back 10,000 acre feet of the water the District had paid to the Water Utility Authority in 2019, and later requested and received approval from the Rio Grande Compact to use about 32,000 acre feet of the water held in reserve in El Vado. The Board of Directors approved a staff request to end the 2020 irrigation season one month early that applied to all water users except the Prior and Paramount lands of the six District Pueblos, but they also ended their season two weeks early.

The District is actively seeking funding to assist with water distribution efficiency improvements, to study the impact of drought conditions, creating irrigation systems and on-farm efficiencies to reduce the amount of water needed to deliver water to and for use by farmers while continuing to meet their demand for agricultural production. The District continues to apply for additional funding for infrastructure projects and non-recurring expenditures through loans and grants.

Major projects completed in fiscal year 2020 include repairing multiple sites where the levee/riverside drain system suffered damages due to high flows during the 2019 spring runoff. The District invested in excess of $1.5 million in material, staffing and equipment costs for these repairs illustrating the need for an engineered levee system in the Belen Division reach of the Rio Grande. Several water measurement and control structures were constructed with force account crews, and the District continued working to remove legacy sediment stockpiles and other projects associated with the Isleta Dam Settlement commitment. Other projects started in the fiscal year include preliminary planning for the Bernalillo to Belen Levee project, Infrastructure plan, and the Belen Watershed NRCS grant - phase 1 for planning and design.

COVID-19 has had a major impact on the District. The District is practicing distancing and requiring all employees to wear masks while at work around other employees. The District invested in several lap top computers so some employees could telecommute. The District has recorded administrative hours for employees who cannot telecommute, have COVID related illnesses, or who are struggling with school closures. In addition, certain construction projects have been put on hold in order to keep the employees social distanced. The District does not qualify for the Cares Act and has not received any significant reimbursements from the Federal Government for expenditures incurred as a result of COVID-19.

FINANCIAL HIGHLIGHTS:

- The District recorded prior period adjustment of $2.4 million due to an additional liability previously disclosed but not recorded.
- The Districts net position decreased by $1.0 million from 28.4 million in fiscal year 2019 to 27.4 million in fiscal year 2020. The decrease was attributable to an increase in pension and OPEB related expenses. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by $27.4 million (net position). As of June 30, 2020, unrestricted net position totaled $294 thousand.
- The Districts long term obligations increased by $2.6 million during the current fiscal year. The key factors were increases in pension obligation of $1.3 million, increases in OPEB obligations of $1.8 million, followed by a decrease in long term obligations of $500 thousand.
- As of June 30, 2020, the Districts governmental funds reported combined ending fund balances of $26.6 million. Of the total, $17.3 million is available for spending at the Districts discretion (sum of unassigned and assigned fund balances).
- As of June 30, 2020, the fund balance of the General Fund was $19.2 million. Unassigned fund balance of the General Fund was $14.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements contain three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information to the basic financial statements.

<u>Government-Wide Financial Statements</u>

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

<u>Fund Financial Statements</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

STATEMENT OF NET POSITION

	Governmental Activities		Total
	2020	2019 (Restated)	Percent Change
ASSETS			
Current and other assets	$30,180,206	$29,666,256	1.7%
Capital Assets	28,753,775	28,423,915	1.2%
Total assets	58,933,981	58,090,171	1.5%
DEFERRED OUTFLOWS OF RESOURCES	4,354,793	4,484,878	-2.9%
LIABILITIES			
Current Liabilities	2,332,427	2,338,178	-0.2%
Long-term liabilities excluding net pension and net OPEB liability	4,547,497	5,090,378	-10.7%
Net pension liability and net OPEB liability	27,056,307	23,963,037	12.9%
Total Liabilities	33,936,231	31,391,593	8.1%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred revenue	-	78,004	-100.0%
Deferred inflows related to pensions and OPEB	1,996,497	2,689,196	-25.8%
Total deferred inflows of resources	1,996,497	2,767,200	-27.9%
NET POSITION			
Net Investment in Capital Assets	26,625,984	25,900,432	2.8%
Restricted	436,061	904,430	-51.8%
Unrestricted	294,001	1,611,394	-81.8%
Total net position	$27,356,046	$28,416,256	-3.7%

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION

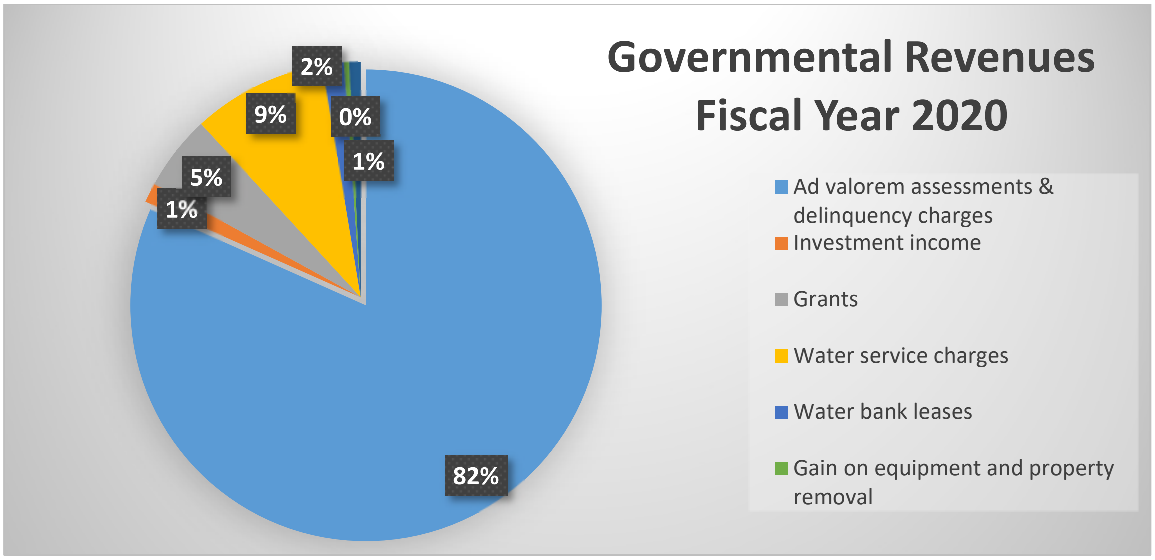
- Total Assets increased by $844 thousand which represents an increase in capital assets of $330 thousand and an increase in cash and accounts receivable of $514 thousand.
- The District recorded a prior period adjustment of $2.4 million in fiscal year 2019 increasing long term liabilities.
- Total liabilities increased by $2.5 million. Net pension liability and net OBEB liability increased by $3.1 million followed by decreases in current liabilities and long-term liabilities of $600 thousand.
- Total net position decreased by $1.0 million. This was primarily due to the increase in the Net pension and net OPEB liabilities of $3.1 million followed by increases in fund balance for governmental funds of $1.4 million, net increases in assets and liabilities of $400 thousand and increases in capital assets of 300 thousand.

CHANGE IN NET POSITION

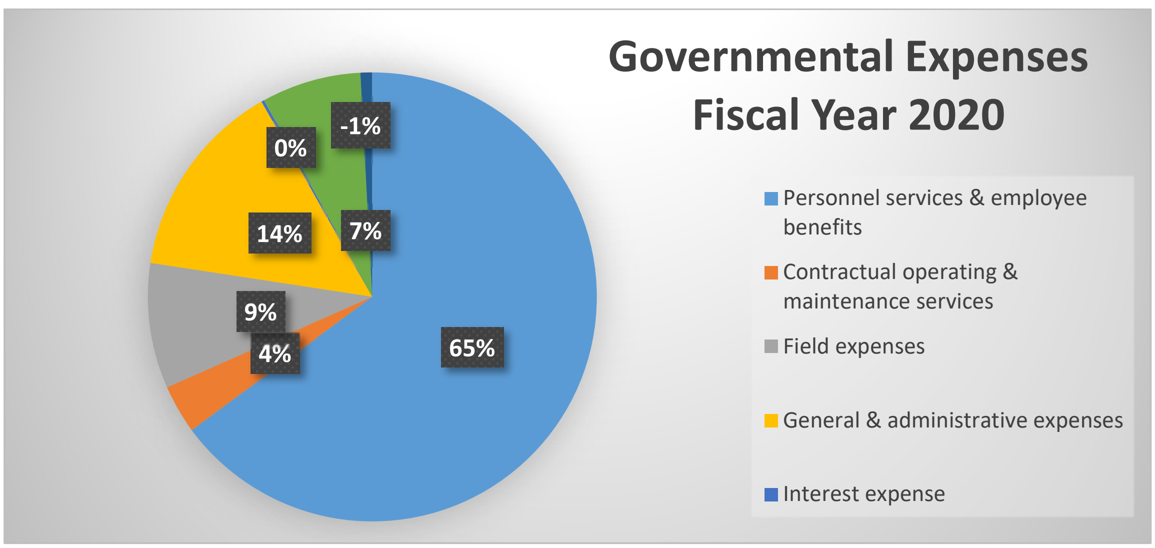
	Governmental Activities 2020	Governmental Activities 2019	Total Percent Change
REVENUES			
Program revenues	$ 3,409,570	$ 3,400,684	0.3%
General revenues	20,285,083	20,030,307	1.3%
Total revenues	23,694,653	23,430,991	1.1%
EXPENSES			
Public Works	24,754,863	23,067,014	7.3%
CHANGE IN NET POSITION	(1,060,210)	363,977	-391.3%
Net Position, beginning of the year as originally stated	28,416,256	30,473,434	-6.8%
Prior Period Adjustment	-	(2,421,155)	-100.0%
Net Position, beginning of year as restated	28,416,256	28,052,279	1.3%
Net position, end of the year	$ 27,356,046	$ 28,416,256	-3.7%

FINANCIAL HIGHLIGHTS – STATEMENT OF ACTIVITIES

- Total revenues increased by $264 thousand. This was primarily due to an increase in Ad valorem assessments of $506 thousand, an increase in other miscellaneous revenues of $24 thousand followed by decreases in investment income of $143 thousand, gain on disposals of $75 thousand, and water bank leases of $48 thousand.
- Program expenses increased by $1.7 million. Personnel services increased $500 thousand with $178 thousand representing an increase in compensated absence accruals. Employee benefits increased by $1.5 million with Pension and OPEB expense accounting for $1.2 million of the increase and PERA and other benefits accounting for $300 thousand. Other District expenses decreased by $300 thousand from the previous fiscal year.



Total revenues increased by 1.1% due to increases in Ad valorem assessments followed by decreases in investment income and water bank lease revenue. Ad Valorem revenue makes up 82% of the total revenue.



Program Expenses in fiscal year 2020 increased by $1.7 million from the previous year. Personnel services and employee benefits accounted for $1.9 million of the increase followed by decreases in other District categories. Personnel services and employee benefits account for 65% of the total expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Districts financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the District's governmental funds reported a fund balance of \$26.5 million, an increase of \$1.3 million in comparison with the prior year. Of the total balance at year-end, \$970 thousand is non-spendable, \$440 thousand is restricted, \$7.8 million is committed, \$3.0 million is assigned and \$14.3 million is unassigned. Unassigned fund balance is available for future spending of the District. The net change in fund balance for the governmental funds for the current fiscal year was an increase of \$1.35 million.

Revenues of governmental funds overall totaled \$24.7 million in the fiscal year ended June 30, 2020 which represents an increase of \$400 thousand from the previous year of \$24.3 million. The primary reasons are as follows: Ad valorem assessments and delinquency charges increased \$560 thousand from the previous year, water service charges increased by \$150 thousand, investment income decreased by \$145 thousand and other revenue categories decreased by \$165 thousand. The District's governmental expenditures of \$23.5 million decreased by \$1.9 million from the previous year of \$25.4 million. The primary cause of the decrease is attributed to a decrease in capital outlay of \$1.9 million.

General Fund – The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance was \$19.2 million of which \$17.3 million is assigned and unassigned, \$500 thousand is committed, \$400 thousand is restricted and \$1.0 million is non-spendable. The net change in fund balance for the General fund for the current fiscal year was an increase of \$1.83 million.

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 Directors for review and approval. Once the budget is adopted by the Board, it is submitted to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for approval. The preliminary budget must be submitted by June 1st of each year and the final budget submitted by July 31st of the same year along with unaudited prior year financial statements approved by the Board. The DFA must approve the budget prior to its legal enactment. The original fiscal year budget as presented was approved by the District's Board of Directors and DFA. The expenditures of the general fund may not legally exceed the budget. The District does not adopt a legal budget for the special revenue fund as this fund only receives revenue from land sales which are infrequent and therefore difficult to budget.

The budgetary comparisons are presented on a non-GAAP budgetary basis. For the fiscal year ended June 30, 2020, the District's budget projected a surplus of revenues over expenditures of \$70 thousand.

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

For the fiscal year ended June 30, 2020, actual revenues were $24.8 million compared to budgeted revenues of $24.2 million resulting in a surplus of revenues of $600 thousand more than budgeted. Ad Valorem revenue came in higher than budged by $490 thousand. The District also realized a higher gain on sale of equipment than budgeted.

For the fiscal year ended June 30, 2020, actual expenditures were $22.95 million compared to budgeted expenditures of $23.15 million resulting in a surplus of expenditures of $200 thousand.

In summary, the District's General fund ended the year with a budget surplus of $800 thousand compared to an expected surplus of $49 thousand. The surplus amount does not include the transfer to the special revenue fund of $480 thousand.

BUDGETARY HIGHLIGHTS

Change in Mil and Water Service Charge Rates

- The District kept the mill rates at 5.0693 for residential customers and 6.3334 for non-residential customers. These rates are expected to remain at the above levels for the foreseeable future.
- The water service charge increased from to $43 per acre for calendar year 2019 to $43.82 in calendar year 2020. The rates have been equalized with what it should be relative to the statutory authority, and the Board planned to increase the water service charge rate each year based on the Consumer Price Index as provided in statute however, due to the economic impacts of COVID-19, the District kept the rate at $43.82 for fiscal year 2021.
- Management continues to monitor its expenses and keeping them in line with needs and requirements of operations. Funding for non-recurring and major capital needs are being looked at separately and alternative funding sources are being sought. This is discussed in further detail in the Asset Management Plan below.

Ongoing District Commitments

- The District continues to work with the United States Department of the Army Corps of Engineers (federal government) on various projects. Currently the District is working on preliminary assessment work to begin a flood damage reduction project from Bernalillo to Belen and the Rio Grande Environmental Management Plan from Sandia to Isleta that is unfunded at this time but has been included in the 2020 WRDA bill now pending in Congress. The Bernalillo section 205 feasibility project is on hold but could resurface in the future. These projects are discussed in detail in Note 12 of the Financial Statements.

District Contingencies

- The District also continues to work with the United States Government to settle the title claim issue related to ownership of District facilities that is nearing completion for Phase 1 – title transfer for all facilities south of the Isleta Pueblo boundary. District employees and legal advisors participated over a number of years in the development of the 2016 biological opinion

(BiOp) related to the silvery minnow, southwestern willow flycatcher, yellow billed cuckoo and the meadow jumping mouse. The biological opinion has a number of conservation measures that the District is working on with the Bureau of Reclamation as the lead federal agency and the NMISC as another partner where a number of commitments associated with this BiOp and related projects including the Isleta Diversion Dam settlement are a continuing component of the District's operating budget. Both of these issues are detailed in Note 11 – Contingencies.

Asset Management Plan

- The District continues to work on its asset management plan for its aging vehicles and equipment. The District has purchased over $7 million in the last two fiscal years and continues to explore other opportunities to purchase or lease additional assets.

San Acacia to Bosque del Apache Levee Project

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

Contract with the Bureau of Indian Affairs

- The District and BIA have a contract to perform operations and maintenance on the Six Middle Rio Grande Pueblos' facilities on trust lands. The contract is in the first of two possible extensions that was approved prior to February 29, 2020 and has been extended through February 28, 2021; the District expects the contract to be successfully re-negotiated for another 5-year period. Payment provision requires a minimum annual payment for services rendered that includes upward adjustments scaled to ad valorem and water service charge increases over time. The District and BIA are working on executing a new contract prior to the February 28, 2021 end date.

Water Efficiency Improvement Loan from NMED Clean Water Act Program

- The District entered into a $500,000 20-year loan agreement with the New Mexico Environment Department, Construction Programs Bureau to provide gap funding for on-farm federal Farm Bill grants for water efficiency improvements within District boundaries. Loan agreements will be developed a part of a pilot program that, if successful, could lead to additional funding for this purpose in the future. The District is required to pledge revenues in accordance with the loan agreement. As of fiscal year ended June 30, 2020, no loans have been given to District Farmers.

Five Year Plan

- District management continues to work on the five-year forecast plan considering operational and infrastructure needs. Managers continue to look at infrastructure and equipment needs for the next five years and develop a strategy for these needs which can be incorporated into a blueprint for the District operations. The plan is ongoing and will help inform management and the Board about out-year operating budgets and capital outlay needs. Specific capital replacements and improvements will be included within each budget proposal as a component of the annual budget as well as the longer-term capital acquisition strategies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The District's capital assets of the governmental activities as of June 30, 2020, total $28.8 million net of accumulated depreciation. The increase in capital assets in the current fiscal year was $330 thousand. Additional information related to capital assets can be found in the notes to the financial statements.

Capital asset of the District's governmental activities are summarized as follows:

	2020	2019
Land	$484,882	$484,882
Buildings	1,848,027	1,943,839
Equipment	9,270,605	9,348,872
Infrastructure	11,134,671	11,537,966
Construction in progress	6,015,590	5,109,356
Total	$28,753,775	$28,424,915

Debt Administration - At the end of the current fiscal year, the District's governmental activities had a total of $31.6 million in long term obligations. Notes payable is $2.1 million of which $405 thousand is due or payable within the next fiscal year. The Isleta Dam settlement agreement is $2.04 million as of June 30, 2020. Net pension liability increased from $15.7 million in fiscal year 2019 to $17.0 million in fiscal year 2020, or by $1.3 million. Net OPEB liability increased from $8.3 million in fiscal year 2019 to $10.0 million in fiscal year 2020, or by $1.7 million. Accrued compensated absences increased by $180 thousand from $1.06 million in fiscal year 2019 to $1.24 million in fiscal year 2020.

Economic Factors and Next Year's Budget

- The District approved a balanced budget with no expected surplus of $24.3 million. The District forecasted minimal increases in Ad valorem revenues and took a conservative approach to expenditures in fiscal year 2021. The economic impacts of COVID-19 are unknown, and the District felt that it was prudent to budget conservatively. This is the fourth consecutive year the district is not required to set aside funds from reserves to meet its' obligations. This can be attributed to previous rate increases that brought revenues closer to the operational needs.

- The District is also working to locate additional revenue sources such as state and federal grants to help in the budget process. The District has been awarded a grant from NRCS to develop a Belen comprehensive watershed operation plan.

CONTACTING DISTRICT MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,318,265**	$ 2,041,060
Restricted cash and cash equivalents	**436,061**	904,430
Investment in Local Government Investment Pool	**24,401,304**	22,009,028
Current receivables:		
Ad valorem assessments, net	**2,371,759**	2,231,779
Water service and delinquency charges, net	**274,668**	364,253
Government Contracts		
Federal	**110,709**	71,499
Local	**83,153**	14,569
Interest receivable	**6,394**	38,931
Other receivable	**211,198**	25,592
Material and supply inventories, at cost	**953,055**	955,477
Prepaid expense	**13,640**	-
Contract receivable from US Department of the Army	**-**	1,009,638
Total current assets	**30,180,206**	29,666,256
Non-current Assets		
Capital assets, net	**28,753,775**	28,423,915
Total non-current assets	**28,753,775**	28,423,915
Total assets	**58,933,981**	58,090,171
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	**2,256,203**	3,658,775
Employer contributions subsequent to measurement date	**893,143**	826,103
Deferred outflows related to OPEB	**1,205,447**	-
Total deferred outflows of resources	**4,354,793**	4,484,878
Total assets and deferred outflows of resources	**$ 63,288,774**	$ 62,575,049

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
LIABILITIES		
Current Liabilities		
Vouchers payable	**$ 247,810**	$ 513,661
Accrued payroll and related benefits payable	**655,831**	529,371
Other liabilities	**85,900**	67,708
Accrued compensated absences	**453,353**	519,393
Accrued payable to local governments	**484,391**	312,353
Notes payable	**405,142**	395,692
Total current liabilities	**2,332,427**	2,338,178
Non-current Liabilities		
Accrued compensated absences, net of current portion	**785,499**	541,432
Notes payable, net of current portion	**1,722,649**	2,127,791
Settlement payable, due after one year	**2,039,349**	2,421,155
Net pension liability	**17,016,707**	15,687,008
Net OPEB liability	**10,039,600**	8,276,029
Total non-current liabilities	**31,603,804**	29,053,415
Total liabilities	**33,936,231**	31,391,593
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	**-**	78,004
Deferred inflows related to pensions	**289,964**	692,307
Deferred inflows related to OPEB	**1,706,533**	1,996,889
Total deferred inflows of resources	**1,996,497**	2,767,200
NET POSITION		
Net investment in capital assets	**26,625,984**	25,900,432
Restricted	**436,061**	904,430
Unrestricted	**294,001**	1,611,394
Total net position	**27,356,046**	28,416,256
Total liabilities, deferred inflows of resources, and net position	**$ 63,288,774**	$ 62,575,049

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Program Expenses		
Public works:		
Personnel services	**$ 9,556,248**	$ 9,057,112
Employee benefits	**6,780,482**	5,304,860
Contractual operating and maintenance services	**886,745**	853,579
Field expenses	**2,275,176**	2,545,550
General and administrative expenses	**3,615,423**	3,869,413
Interest expense	**51,313**	63,986
Depreciation	**1,803,853**	1,564,027
Bad debt expense	**-**	86,070
Internal costs capitalized	**(214,377)**	(277,583)
Total program expenses	**24,754,863**	23,067,014
Program Revenues		
Charges for services:		
Water services assessments	**2,186,062**	2,148,701
Program specific operating grants:		
Federal	**890,186**	943,273
Local	**333,322**	308,710
Total program revenues	**3,409,570**	3,400,684
Net program (expense) revenues	**(21,345,293)**	(19,666,330)
General revenues		
Ad valorem assessments	**19,100,137**	18,594,323
Ad valorem interest	**249,929**	251,105
Investment income	**314,299**	457,521
Gain on equipment and property removal	**82,905**	157,558
Land sales and water bank leases	**354,042**	401,576
Licensing fees	**68,957**	65,290
Other revenue	**114,814**	102,934
Total general revenues	**20,285,083**	20,030,307
Increase (decrease) in net position	**(1,060,210)**	363,977
Net position, beginning of year as originally stated	**28,416,256**	30,473,434
Prior period adjustment	**-**	(2,421,155)
Net position, beginning of year as restated	**28,416,256**	28,052,279
Net position, end of year	**$ 27,356,046**	$ 28,416,256

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2020 with Comparative 2019 Totals

	General	Special Revenue	**Total 2020**	Total 2019
ASSETS				
Cash and cash equivalents	$ 1,318,265	-	**1,318,265**	$ 2,041,060
Restricted cash and cash equivalents	436,061	-	**436,061**	904,430
Investment in Local Government Pool	16,568,949	7,832,355	**24,401,304**	22,009,028
Current receivables:				
Ad valorem assessments, net	2,371,759	-	**2,371,759**	2,231,779
Water service and delinquency charges, net	274,668	-	**274,668**	364,253
Governmental contracts and grants				
Federal, net	110,709	-	**110,709**	71,499
Local	83,153	-	**83,153**	14,569
Interest receivable	5,962	432	**6,394**	38,931
Other receivables	211,198	-	**211,198**	25,592
Material and supply inventories, at cost	953,055	-	**953,055**	955,477
Prepaid expense	13,640	-	**13,640**	-
Contract receivable from US Department of Army	-	-	-	1,009,638
Total assets	$ 22,347,419	7,832,787	**30,180,206**	$ 29,666,256
LIABILITIES				
Vouchers payable	$ 247,810	-	**247,810**	$ 513,661
Accrued payroll and related benefits payable	655,831	-	**655,831**	529,371
Other liabilities	85,900	-	**85,900**	67,708
Accrued payable to local governments	-	484,391	**484,391**	312,353
Total liabilities	989,541	484,391	**1,473,932**	1,423,093
DEFERRED INFLOWS OF RESOURCES				
Revenue not available to pay current period expenditures	2,149,576	-	**2,149,576**	3,033,191
Total liabilities and deferred inflows of resources	3,139,117	484,391	**3,623,508**	4,456,284
FUND BALANCES				
Nonspendable inventory and prepaids	966,695	-	**966,695**	955,477
Restricted	436,061	-	**436,061**	904,430
Committed	492,511	7,348,396	**7,840,907**	7,226,400
Assigned	3,015,304	-	**3,015,304**	3,753,068
Unassigned	14,297,731	-	**14,297,731**	12,370,597
Total fund balances	19,208,302	7,348,396	**26,556,698**	25,209,972
Total liabilities, deferred inflows of resources and fund balances	$ 22,347,419	7,832,787	**30,180,206**	$ 29,666,256

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEETS (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Revenue	Governmental Funds
ASSETS			
Cash and cash equivalents	$ 801,710	1,239,350	$ 2,041,060
Restricted cash and cash equivalents	904,430	-	904,430
Investment in Local Government Pool	15,417,401	6,591,627	22,009,028
Current receivables, net:			
Ad valorem assessments, net	2,231,779	-	2,231,779
Water service and delinquency charges, net	364,253	-	364,253
Governmental contracts and grants			
Federal, net	71,499	-	71,499
Local	14,569	-	14,569
Interest receivable	38,931	-	38,931
Other receivables	25,592	-	25,592
Material and supply inventories, at cost	955,477	-	955,477
Contract receivable from United States			
Department of Army, due after one year	1,009,638	-	1,009,638
Total assets	$ 21,835,279	7,830,977	$ 29,666,256
LIABILITIES			
Vouchers payable	$ 513,661	-	$ 513,661
Accrued payroll and related benefits payable	529,371	-	529,371
Other liabilities	67,708	-	67,708
Payable to local governments, due after one year	312,353	-	312,353
Total liabilities	1,423,093	-	1,423,093
DEFERRED INFLOWS OF RESOURCES			
Revenue not available to pay current period expenditures	3,033,191	-	3,033,191
Total liabilities and deferred inflows of resources	4,456,284	-	4,456,284
FUND BALANCES			
Nonspendable inventory and prepaids	955,477	-	955,477
Restricted	904,430	-	904,430
Committed	-	7,226,400	7,226,400
Assigned	3,148,491	604,577	3,753,068
Unassigned	12,370,597	-	12,370,597
Total fund balances	17,378,995	7,830,977	25,209,972
Total liabilities, deferred inflows of resources and fund balances	$ 21,835,279	7,830,977	$ 29,666,256

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIAITON OF THE BALANCE SHEETS TO
THE STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020	2019
Total fund balances (Balance sheet)	$ **26,556,698**	$ 25,209,972
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	**28,753,775**	28,423,915
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	**2,149,576**	2,955,187
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds	**2,358,296**	1,795,682
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	**(1,238,852)**	(1,060,825)
Settlement payable, due after one year	**(2,039,349)**	(2,421,155)
Notes payable	**(2,127,791)**	(2,523,483)
Net pension liability	**(17,016,707)**	(15,687,008)
Obligation for postemployment benefits	**(10,039,600)**	(8,276,029)
Total net position (statement of net position)	$ **27,356,046**	$ 28,416,256

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

			Governmental Funds	
	General	Special Revenue	**Total 2020**	Total 2019
Revenues				
Ad valorem assessments	$ 19,075,444	-	**19,075,444**	$ 18,513,577
Ad valorem interest	249,929	-	**249,929**	251,105
Water service assessments	2,299,642	-	**2,299,642**	2,147,345
Investment income	312,809	1,490	**314,299**	457,521
Contracts with governmental entities				
Federal	721,844	-	**721,844**	721,844
Local	332,065	-	**332,065**	392,941
Operating and capital grants				
Federal	1,183,547	-	**1,183,547**	1,269,757
Local	15,826	-	**15,826**	-
Water bank leases	354,042	-	**354,042**	400,826
Licensing fees	68,957	-	**68,957**	65,290
Other	114,115	-	**114,115**	99,091
Land sales	-	-	-	750
Total revenues	24,728,220	1,490	**24,729,710**	24,320,047
Expenditures				
Public works				
Current operations	21,099,426	122	**21,099,548**	20,423,602
Capital outlays	1,939,210	-	**1,939,210**	4,558,631
Debt service:				
Principal	395,692	-	**395,692**	326,974
Interest	51,313	-	**51,313**	63,986
Total expenditures	23,485,641	122	**23,485,763**	25,373,193
Excess (deficiency) of revenues over expenditures	1,242,579	1,368	**1,243,947**	(1,053,146)
Other Finance Sources (Uses)				
Equipment disposition proceeds	102,779	-	**102,779**	176,208
Loan proceeds	-	-	-	2,735,575
Operating transfers in (out)	483,949	(483,949)	-	-
Total other financing sources (uses)	586,728	(483,949)	**102,779**	2,911,783
Change in fund balances	1,829,307	(482,581)	**1,346,726**	1,858,637
Fund balances, beginning of year	17,378,995	7,830,977	**25,209,972**	23,351,335
Fund balances, end of year	$ 19,208,302	7,348,396	**26,556,698**	$ 25,209,972

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	General	Special Revenue	Governmental Funds
Revenues			
Ad valorem assessments	$ 18,513,577	-	$ 18,513,577
Water service assessments	2,147,345	-	2,147,345
Delinquency charges	251,105	-	251,105
Investment income	457,026	495	457,521
Contracts with governmental entities			
Federal	721,844	-	721,844
Local	392,941	-	392,941
Operating and capital grants	-		
Federal	1,269,757	-	1,269,757
Water bank leases	400,826	-	400,826
Licensing fees	65,290	-	65,290
Other	99,091	-	99,091
Land sales	-	750	750
Total revenues	24,318,802	1,245	24,320,047
Expenditures			
Public works			
Current operations	20,423,602	-	20,423,602
Capital outlays	4,558,631	-	4,558,631
Debt service:			
Principal	326,974	-	326,974
Interest	63,986	-	63,986
Total expenditures	25,373,193	-	25,373,193
(Deficiency) excess of revenues over expenditures	(1,054,391)	1,245	(1,053,146)
Other Finance Sources (Uses)			
Equipment disposition proceeds	176,208	-	176,208
Loan proceeds	2,735,575	-	2,735,575
Total other financing sources (uses)	2,911,783	-	2,911,783
Change in fund balances	1,857,392	1,245	1,858,637
Fund balances, beginning of year	15,521,603	7,829,732	23,351,335
Fund balances, end of year	$ 17,378,995	7,830,977	$ 25,209,972

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020	2019
Increase (decrease) in fund balances (statement of revenues, expenditures and changes in fund balances)	**$ 1,346,726**	$ 1,858,637
Amounts reported for governmental activities in the Statements of Activities are different because:		
Governmental funds report capital outlay as expenditures, while in the statements of activities the cost of these assets is capitalized.		
Capital outlay	**1,939,210**	4,558,631
Internal costs capitalized	**214,377**	277,583
Governmental funds do not report depreciation expense which is recorded in the statements of activities.	**(1,803,853)**	(1,564,027)
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.	**(19,874)**	(18,650)
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.	**(805,611)**	(814,350)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expense are reported regardless of when the financial resources are available		
Change in compensated absences	**(178,027)**	(227,050)
Change in settlement payable	**381,806**	-
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statements of Net Position.		
Debt issued or incurred	**-**	**(2,735,575)**
Principal repaid	**395,692**	**326,974**
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	**893,143**	826,103
Pension expense	**(3,156,031)**	(1,904,361)
OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.	**(267,768)**	(219,938)
Increase in net position (statement of activities)	**$ (1,060,210)**	$ 363,977

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, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	$ 18,585,269	18,585,269	19,075,444	$ 490,175
Ad valorem interest	250,000	250,000	249,929	(71)
Water service assessments	2,285,825	2,285,825	2,299,642	13,817
Water bank leases	385,000	385,000	354,042	(30,958)
Licensing fees	60,000	60,000	68,957	8,957
Interest on investments	400,000	400,000	312,809	(87,191)
Federal contracts	721,843	721,843	721,844	1
Local contracts	297,668	297,668	332,065	34,397
Operating and capital grants	130,000	1,139,638	1,199,373	59,735
Other	88,500	88,500	216,894	128,394
Total revenues	23,204,105	24,213,743	24,830,999	617,256
Expenditures				
Salaries	9,565,752	9,333,516	9,333,401	115
Employee Benefits	3,859,751	3,835,667	3,812,775	22,892
Employee & Board Related Costs	519,231	462,699	451,407	11,292
General & Administrative Expenses	276,893	341,352	334,644	6,708
Professional Services	1,478,218	880,852	879,419	1,433
Insurance & Legal Services	1,027,500	995,838	994,856	982
Technology & Communication	336,770	305,282	308,128	(2,846)
Ad Valorem Collection Fee	373,250	401,384	400,935	449
Utilities	112,270	136,148	133,241	2,907
Facility Maintenance	17,750	58,338	58,391	(53)
Division Maintenance, Const., Rehab	854,250	865,112	844,281	20,831
Vehicle & Equipment O&M	1,355,240	1,420,639	1,394,753	25,886
Federal O&M Services	886,746	886,746	886,745	1
Governmental Agreements & Projects	990,000	787,054	787,045	9
Endangered Species Act Projects	315,000	147,181	146,731	450
Grant expenditures:				-
Wages	-	44,819	44,819	-
Fringes	-	13,376	13,111	265
Other grant expenditures	195,000	164,900	60,983	103,917
Debt service:				-
Principal retirement	389,719	395,698	395,692	6
Interest	50,226	51,320	51,313	7
Capital outlay	552,000	1,626,207	1,625,138	1,069
Total expenditures	23,155,566	23,154,128	22,957,808	196,320
Excess of revenues over expenditures	$ 48,539	1,059,615	1,873,191	$ 813,576

Reconciliation to change in fund balance - GAAP basis	
Change in encumbrances	(215,480)
Payments to local governments previously netted with deferred revenue	(312,353)
Transfers not budgeted	483,949
Change in fund balance - GAAP basis	$ 1,829,307

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	$ 18,821,770	18,821,770	18,513,701	$ (308,069)
Water service assessments	2,150,420	2,150,420	2,143,622	(6,798)
Ad valorem interest	216,000	216,000	251,105	35,105
Water bank leases	400,000	400,000	400,826	826
Interest on investments	150,000	150,000	414,102	264,102
Federal contracts	721,843	721,843	721,844	1
Local contracts	293,097	293,097	392,941	99,844
Operating and capital grants	200,000	1,253,895	1,269,757	15,862
Other	198,500	198,500	340,589	142,089
Loan proceeds	2,500,000	2,500,000	2,392,913	(107,087)
Total revenues	25,651,630	26,705,525	26,841,400	135,875
Expenditures				
Personnel services	9,347,318	9,314,432	8,830,063	484,369
Employee benefits	4,086,020	4,114,410	3,854,259	260,151
Employee costs	211,960	215,422	179,890	35,532
Services	1,687,670	2,091,694	1,225,040	866,654
General & administrative expenses	591,609	582,519	545,299	37,220
Technology & communication	375,823	329,486	308,812	20,674
Bank and other fees	22,500	27,909	27,909	-
Ad valorem collection fee	369,500	389,660	388,033	1,627
Debt payments	7,800	479,824	479,800	24
Utilities	108,350	102,881	100,992	1,889
Facility O & M	349,550	521,764	511,557	10,207
Division expense	347,500	461,284	445,571	15,713
Vehicle & equipment O&M	1,318,995	1,420,485	1,386,772	33,713
Federal O&M services	855,093	853,593	853,579	14
Capital outlays	3,969,000	4,137,609	4,114,170	23,439
Operating and capital grants	750,825	726,243	970,463	(244,220)
Special projects	1,182,500	866,693	843,209	23,484
Total expenditures	25,582,013	26,635,908	25,065,418	1,570,490
Excess of revenues over expenditures	$ 69,617	69,617	1,775,982	$ 1,706,365
Reconciliation to change in fund balance - GAAP basis				
Change in:				
Ad valorem and water service receivables			3,599	
Encumbrances			(396,615)	
NMFA bank accounts and interest income not budgeted			474,426	
Change in fund balance - GAAP basis			$ 1,857,392	

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Other significant accounting policies of the District are discussed below.

<u>Reporting Entity</u>

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.

<u>Government-wide and Fund Financial Statements</u>

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

The statement of net position incorporates long-term assets and receivables and deferred outflows of resources, as well as long-term debt and obligations, and deferred inflows of resources. The District's net position is reported in three parts - invested in capital assets net of related debt and deferred inflows of resources, if any; restricted net position; and unrestricted net position.

The statement of activities indicates the degree to which the direct expenses of a given function are offset by program revenues. Gross expenses (including depreciation) are reduced by program revenues directly associated with the functions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Program revenues include: (1) water service assessments to property owners who have irrigation access, (2) contract revenue from governmental entities to finance operation and maintenance of District infrastructure, (3) operating and capital grants, if any, which finance specific operating and construction activities, (4) other revenue with a program nature.

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

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The District's activities are all governmental activities and the District did not have proprietary or fiduciary funds during the years ended June 30, 2020 or 2019. There are no non-major funds.

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

<u>Fund Accounting</u>

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:

- *<u>General Fund</u>* —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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

- *Special Revenue Fund* — This fund accounts for the receipt of monies from the sale of District land and other deposits as authorized by the Board . Withdrawals are limited to the direct expenses associated with the sale of land. Additionally, as authorized by Board resolution, whereas the District staff initiated a long term capital improvement plan to address out-year requirements of the District amounting to tens of millions of dollars of projects and commitments that will require fuds in excess of those needed for annual operating, maintenance, and administrative expenses with the intent of establishing a Capital Reserve Fund to address future capital improvement needs. The Board of Directors directs the Chief Executive Officer, the Secretary Treasurer, and its General Counsel to determine the extent to which existing endowment funds may be converted into the Capital Reserve Fund and to advise the Board accordingly. 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. Ad valorem assessments, water service assessments and contract revenue are considered available if they are collected within thirty days of the current fiscal year end. Grant revenue is considered available if it is expected to be collected within six months and all eligibility requirements have been met. Investment income is considered available when earned. Delinquency charges and other revenue are generally considered measurable and available only when cash is received by the District.

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

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

Cash and Cash Equivalents

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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

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

At June 30, 2020, the carrying amount of the District's cash deposits was $1,318,265 and the bank balance on these accounts was $1,707,460. Funds in the amount of $707,460 as of June 30, 2020 were exposed to custodial risk due to being uninsured, of which $313,491 was collateralized with securities held by the banks' trust departments not in the District's name.

At June 30, 2019, the carrying amount of the District's cash deposits was $2,041,060 and the bank balance on these accounts was $2,601,911. Funds in the amount of $2,101,911 as of June 30, 2019 were exposed to custodial risk due to being uninsured of which $1,760,499 was collateralized with securities held by the banks' trust departments not in the District's name.

Restricted Cash and Cash Equivalents

The District has entered into a loan agreement with the New Mexico Finance Authority (NMFA). As required the agreement, any unexpended loan proceeds are maintained by NMFA until needed by the District. Additionally, the District is required to set aside reserve amounts for debt obligations. Amounts held by NMFA totaling $436,061 and $904,430 at June 30, 2020 and 2019, respectively, includes the following:

- Program account – Contains the unspent net proceeds of the loan agreement which can be requested for the purchase of equipment in accordance with the loan agreement or for repayment of the loan. Balances totaled $37,063 and $514,034 at June 30, 2020 and 2019, respectively.
- Debt service account – Represents funds accumulated to pay principal and interest as they become due. Balances totaled $116,487 and $112,706 at June 30, 2020 and 2019, respectively.
- Reserve account – Consists of a reserve of 10% of loan proceeds in accordance with loan agreement reserve requirements, and any accrued interest income. Balances totaled $282,511 and $277,690 at June 30, 2020 and 2019, respectively.

Deposit insurance and pledging requirements remain the responsibility of NMFA.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

The District invests in the New Mexico State Treasurer's Local Government Investment Pool (LGIP). Participation in the LGIP is voluntary. Investments totaling $24,401,304 and $22,009,028 are stated at fair value based on quoted market value as of June 30, 2020 and 2019, respectively.

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

<u>Credit Risk</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. With respect to credit risk, the LGIP is rated AAAm by Standard and Poor's as of June 30, 2020 and 2019. Public funds are not required to disclose custodial credit risk for external investment pools, therefore the LGIP is exempt from this disclosure.

<u>Concentration Risk</u>

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

<u>Foreign Currency Risk</u>

GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. At June 30, 2020 and 2019, the LGIP does not have any foreign currency risk as all investments are denominated in U.S dollars.

<u>Interest Rate Risk</u>

GASB Statement No. 40 defines interest rate risk as the potential that changes in interest rates may adversely affect the fair value of an investment. According to the Statement, an acceptable method for reporting interest rate risk is the weighted average maturity (WAM). The WAM is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2020, the LGIP's WAM (R) was 25 days and the WAM (F) was 77 days. At June 30, 2019, the LGIP's WAM (R) was 35 days and the WAM (F) was 112 days.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The District records the interest earned by the special revenue fund's investment in the LGIP in the general fund. This amounted to $113,707 and $149,614 during the years ended June 30, 2020 and 2019, respectively. The total interest earned in the Pool was $312,809 and $414,102 for the years ended June 30, 2020 and 2019, respectively.

Inventories and Prepaids

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expense totaled $13,640 at June 30, 2020. There were no prepaids in the year ended June 30, 2019.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported in the government-wide financial statements. In accordance with 12-6-10 NMSA 1978, capital assets, other than infrastructure, are defined by the District as assets which have a cost of $5,000 or more at the date of acquisition. Items on the capital asset listing that were capitalized under previous thresholds can be removed from the capital asset listing. Infrastructure is defined by the District as long-lived capital assets that are normally stationary in nature such as dams, canals, laterals, acequias, waste ways, levees, and riverside and interior drains having a cost of $100,000 or more and a useful life of 50 years or more. Capital assets purchased, constructed or acquired are carried at historical cost or estimated historical cost. The District capitalizes purchased software and has no internally developed software. Donated capital assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs are expensed as incurred.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2020 and 2019, accrued vested annual leave totaled $727,463 and $659,313, respectively.

Qualified employees are entitled to accumulate sick leave, which may be converted upon retirement or termination to annual leave. Employees earn sick leave at the rate of twelve days per year. Employees who have twenty years of service and who are eligible for the Public Employee's Retirement Act benefits may convert sick leave to annual leave at the rate of three for two. Otherwise, sick leave hours in excess of 250 hours may be converted to annual leave hours at the rate of three for one. Sick leave hours in excess of 500 hours may be converted to annual leave hours at the rate of two for one. Sick leave hours in excess of 800 hours may be converted to annual leave hours at the rate of three for two. In accordance with GASB Statement No. 16, the District has estimated its accrued sick leave liability according to the termination method in which benefits have been accrued only for those employees if it is probable that the District will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. Therefore, an accrual is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. Management makes this estimate based on experience of making termination payments for sick leave. At June 30, 2020 and 2019, accrued vested sick leave totaled $427,759 and $325,034 respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (Continued)

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2020 and 2019, accrued vested compensatory leave totaled $35,472 and $33,168, respectively. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year. At June 30, 2020 and 2019, accrued vested holiday leave totaled $30,452 and $28,148, respectively.

Additionally, in the year ended June 30, 2020 and 2019, the District has accrued a liability of $17,706 and $15,162, respectively, representing payroll taxes associated with compensated absence balances described above.

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

<u>Pensions</u>

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

<u>Other Postemployment Benefits</u>

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

<u>Deferred Compensation Plan</u>

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

Deferred Outflows/Inflows of Resources

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

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, 2020 or 2019.

Fund Balances

The District reports fund balances in the following categories:

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

The District's Board of Directors is its highest level of decision-making authority. In order to establish committed fund balances, the Board would be required to take formal action, such as passing a Board resolution. Management of the District is authorized to designate fund balances that the District intends to use for specific purposes. The District through Board Resolution has earmarked funds received from the sale of excess District land to form an endowment for the District. Also through Board resolution, the District has established a long term capital improvement plan through a capital reserve fund These amounts are reported as committed.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

The fund balance classifications of the governmental funds as of June 30, 2020, were as follows:

	General Fund	Special Revenue Fund
Fund balances:		
Nonspendable:		
Inventories	$ 953,055	$ -
Prepaid expenses	13,640	-
Total nonspendable	966,695	-
Restricted for:		
Cash and equivalents held by NMFA	436,061	-
Total restricted	436,061	-
Committed to:		
Investments designated for equipment purchases (designated through board resolution)	492,511	-
Investments designated for future levee projects (designated through board resolution)	-	1,059,720
Funds held for other governments designated for future levee projects	-	484,255
Endowment and capital reserve fund	-	5,804,421
Total committed	492,511	7,348,396
Assigned to:		
1/12 of 2021 budget	2,011,924	-
2020 encumbered funds	1,003,380	-
Total assigned	3,015,304	-
Unassigned	14,297,731	-
Total fund balances	$ 19,208,302	$ 7,348,396

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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

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

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

Net Position

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Net investment in Capital Asset

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Reflects the component of net position that have constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for “debt service or capital projects.” There were no amounts restricted by enabling legislation at June 30, 2020 or 2019.

Unrestricted Net Position

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

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

Budgets and Budgetary Accounting

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Reclassifications

Certain amounts from the 2019 financial statements have been reclassified to conform to the presentation of the 2020 financial statements.

NOTE 3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

For the years ended June 30, 2020 and 2019 general fund budgeted revenues exceeded budgeted expenditures by $1,059,615 and $69,617, respectively. Actual expenditures did not exceed budgeted expenditures and the District did not report any deficit fund balances or net position at June 30, 2020 or 2019.

NOTE 4. CONTRACT RECEIVABLE

In 2007, the District entered into agreements with the United States Department of the Army (USACE) 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. The contract was reimbursed in full in the year ended June 30, 2020.

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

Year ended June 30:	Payment Received	Balance
2007	$ -	$ 4,373,783
2010	1,700,000	2,673,783
2013	49,999	2,623,784
2017	320,251	2,303,533
2018	240,000	2,063,533
2019	1,053,895	1,009,638
2020	1,009,638	-

NOTE 4. CONTRACT RECEIVABLE (CONTINUED)

The receivable due from the government at June 30, 2020 and 2019 was $0 and $1,009,638, respectively, and is reported in the accompanying statements of net position and balance sheets as a contract receivable.

In 2007, the District also entered into an agreement with the Albuquerque Metropolitan Arroyo Flood Control Authority ("AMAFCA") and the County of Bernalillo ("County"), whereby AMAFCA and the County each provided $1 million of the above project cost. The agreement states at such time as the District is reimbursed by the government for the federal share of the project cost, AMAFCA and the County will receive a pro rata share of the reimbursement. As of June 30, 2019, a combined payable to AMAFCA and the County in the amount of $312,353, is included in the accompanying statements of net position and balance sheets as accrued payable to local governments and was paid in full in FY 2020. Additionally, upon receiving payment in full from USACE in FY 2020, both AMAFCA and Bernalillo County agreed to allow MRGCD to hold due to each entity for a combined amount totaling $484,391 for use in future levee projects. This included in the accompanying statements of net position and balance sheets in the year ended June 30, 2020 as accrued payable to local governments and is being held in the special revenue fund.

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, 2020 and 2019, 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, 2020, water service charge assessments were assessed and levied at a uniform rate per acre of $43 based on acreage approximating 53,069. Ad valorem assessments were assessed and levied at a rate of $5.07 per $1,000 of valuation of residential property and $6.33 per $1,000 valuation of nonresidential property based on valuations determined by the county assessors.

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

For the year ending June 30, 2019, water service assessments were assessed and levied at a uniform rate per acre of $40 based on acreage approximating 52,803. Ad valorem assessments were assessed and levied at a rate of $5.07 per $1,000 of valuation of residential property and $6.33 per $1,000 valuation of nonresidential property based on valuations determined by the county assessors.

NOTE 6. REVENUE NOT AVAILABLE TO PAY CURRENT PERIOD EXPENDITURES

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

	2020	2019
Earned but not available:		
Ad valorem assessments	**$ 1,859,796**	$ 1,835,103
Water service and delinquency charges	**225,085**	338,665
Governmental contracts:		
Federal - USACE, net of payable to AMAFCA and Bernalillo County of $312,353	**-**	697,285
Federal - BIA O&M pueblo lands	**60,154**	60,154
Federal - BOR	**-**	4,000
Federal - NFWF	**-**	1,567
Local - DHSEM	**-**	14,569
Customer promissory notes	**4,541**	3,844
Received but not earned:		
Funds received from Bernalillo County for future projects	**-**	78,004
	$ 2,149,576	$ 3,033,191

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets				
Non-depreciating:				
Land	$ 484,882	-	-	$ 484,882
Construction in progress	5,108,356	907,234	-	6,015,590
Depreciating:				
Buildings and improvements	3,834,335	6,132	-	3,840,467
Office furniture and equipment	585,389	228,381	30,635	783,135
Computer software	473,483	166,893	-	640,376
Engineering equipment	113,645	-	-	113,645
Communication equipment	10,795	-	-	10,795
Motor vehicles and trailers	6,907,814	147,405	11,280	7,043,939
Weed and pest control equipment	431,945	9,900	1,438	440,407
Heavy field equipment	14,891,759	611,215	877,775	14,625,199
Shop and field equipment	204,440	5,127	-	209,567
Infrastructure	16,100,649	71,300	-	16,171,949
Total capital assets	49,147,492	2,153,587	921,128	50,379,951
Less accumulated depreciation:				
Buildings and improvements	1,890,496	101,944	-	1,992,440
Office furniture and equipment	474,555	32,297	30,635	476,217
Computer software	389,206	40,308	-	429,514
Engineering equipment	60,393	4,095	-	64,488
Communication equipment	10,795	-	-	10,795
Motor vehicles and trailers	5,439,701	334,155	11,280	5,762,576
Weed and pest control equipment	373,177	8,577	1,438	380,316
Heavy field equipment	7,358,334	800,223	857,901	7,300,656
Shop and field equipment	164,237	7,659	-	171,896
Infrastructure	4,562,683	474,595	-	5,037,278
Total accumulated depreciation	20,723,577	1,803,853	901,254	21,626,176
Total capital assets	$ 28,423,915	349,734	19,874	$ 28,753,775

NOTE 7. CAPITAL ASSETS (CONTINUED)

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

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

NOTE 8. LONG-TERM LIABILITIES

Long-Term Debt

During the fiscal year ended June 30, 2014, the District received approval for a loan from the New Mexico Finance Authority (NMFA) in the amount of $150,396 bearing interest at a rate of 0.25% for the completion of the first phase of the United States Army Corps of Engineers San Acacia to Bosque del Apache Unit Levee project. Net revenues from the general operations of the District are pledged in repayment of this loan. In the event of default, the repayment of outstanding amounts could become immediately due if the District is unable to make payments.

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

Changes in long-term debt for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Notes from direct borrowings	$ 2,523,483	-	395,692	2,127,791	$ 405,142

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

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

NOTE 8. LONG-TERM LIABILITIES (CONTINUED)

Long-Term Debt (Continued)

Debt service requirements on long-term debt at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	$ 405,142	60,095	$ 465,237
2022	415,339	49,898	465,237
2023	196,405	38,869	235,274
2024	201,899	33,375	235,274
2025	207,747	27,528	235,275
2026-2030	677,937	43,512	721,449
2031-2033	23,322	117	23,439
Totals	$ 2,127,791	253,394	$ 2,381,185

Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Compensated absences payable				
Payable within one year	$ 519,393	1,536,976	1,603,016	$ 453,353
Payable after one year	541,432	1,715,218	1,471,151	785,499
	$ 1,060,825	3,252,194	3,074,167	$ 1,238,852

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

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

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

NOTE 9. PERA PENSION PLAN

Plan Description

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

Benefits Provided

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

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%.

NOTE 9. PERA PENSION PLAN (CONTINUED)

TIER II (Continued)

All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions

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

Employer Pickup

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues*, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB (Governmental Accounting Standards Board) Statement No. 67. Statutorily required contributions to the pension plan from the District were $893,143 and $826,103 and employer paid member benefits that were "picked up" by the employer were $916,498 and $818,881 for the years ended June 30, 2020 and 2019, respectively. See PERA's comprehensive annual financial report for contribution provided description.

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

At June 30, 2020, the District reported a liability of $17,016,707 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the District's proportion was 0.9830%, which was an decrease of 0.0009% from its proportion measured as of June 30, 2018.

NOTE 9. PERA PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2020, the District recognized pension expense of $3,156,031. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 510,193	$ 184,083
Changes of assumptions	758,766	41,912
Net difference between projected and actual earnings on Pension plan investments	573,417	-
Changes in proportion and differences between contributions and proportionate share of contributions	413,827	63,969
Employer contributions subsequent to the measurement date	893,143	-
Total	$ 3,149,346	$ 289,964

NOTE 9. PERA PENSION PLAN (CONTINUED)

$893,143 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		
2021	$	1,027,264
2022		577,105
2023		267,527
2024		94,343
	$	1,966,239

For the year ended June 30, 2019, the District recognized pension expense of $1,904,361. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	453,386	$	411,858
Changes of assumptions		1,422,249		90,194
Net difference between projected and actual earnings on Pension plan investments		1,163,428		-
Changes in proportion and differences between contributions and proportionate share of contributions		619,712		190,255
Employer contributions subsequent to the measurement date		826,103		-
Total	$	4,484,878	$	692,307

$826,103 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

NOTE 9. PERA PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization period	Level percentage of pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% 2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

NOTE 9. PERA PENSION PLAN (CONTINUED)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-risk allocation	1.30%	
Total	100.00%	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

NOTE 9. PERA PENSION PLAN (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	$ 25,736,744	17,016,707	$ 9,802,046

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

Payables to the Pension Plan

At June 30, 2020 and 2019, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2020 or 2019.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2020 and 2019, the District contributed $233,789 and $225,003 under the plan, respectively.

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

Eligibility Requirements

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

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

Membership

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

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	**20**	20
Inactive employees entitled to but not yet receiving benefits	**-**	-
Active employees	**198**	198
Total membership	**218**	218

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

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

Inflation	2.20%
Salary increases	Assumed to be equal to the rate of inflation
Discount rate:	
Prior measurement	3.51%
Measurement date	2.21%
Mortality table	RP-2014 Total Dataset Mortality Table projected fully generationally using MP-2018 mortality improvement scale
Health care cost trends:	
Medical	5.40% for 2019 decreasing to an ultimate rate of 3.84% by 2075

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

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

Sensitivity of the District's OPEB Liability to Changes in the Discount Rate and Changes in the Healthcare Cost Rate.

The following presents the District's OPEB liability calculated using each of the following rates:

- A healthcare cost trend rate that is 1 percentage point higher than the assumed healthcare cost trend rate, and a healthcare cost trend rate that is 1-percentage-point lower than the assumed healthcare cost trend rate, and
- The discount rate of 2.21 percent, as well as what the District's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Healthcare Cost Trend	1% Decrease (3.21%)	Current Discount Rate (2.21%)	1% Increase (1.21%)
1% Decrease		$ 8,365,036	
Current	$ 8,855,510	$ 10,039,600	$ 11,394,737
1% Increase		$ 12,134,151	

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

	2020	2019
Beginning balance	**$ 8,276,029**	$ 9,219,996
Changes for the year:		
Service cost	**385,106**	446,136
Interest	**299,938**	369,767
Change in benefit terms	**-**	-
Difference between expected and actual experience	**(94,039)**	(648,293)
Changes of assumptions or other inputs	**1,406,355**	(886,574)
Benefit payments	**(233,789)**	(225,003)
Net changes	**1,763,571**	(943,967)
Ending balance	**$ 10,039,600**	$ 8,276,029

At June 30, 2020, the District reported deferred inflows and outflows from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 543,673
Changes of assumptions or other inputs	1,205,447	1,162,860
Total	$ 1,205,447	$ 1,706,533

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ending June 30,		
2021	$	(183,488)
2022		(183,488)
2023		(183,488)
2024		(97,235)
2024		(40,859)
Thereafter		187,472
	$	(501,086)

At June 30, 2019, the District reported deferred inflows and outflows from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	-	$	555,680
Changes of assumptions or other inputs		-		1,441,209
Total	$	-	$	1,996,889

Deferred Inflows and Outflows of resources for (a) differences between expected and actual experience and (b) changes of assumptions or other inputs should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

For the current fiscal year, the average expected remaining service life of active and inactive employees is 6.76 years and the Deferred Inflows and Outflows of resources for (a) differences between expected and actual experience and (b) changes of assumptions or other inputs as of June 30, 2019 are amortized over 7 years.

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The OPEB expense consists of:

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

The following table provides a breakdown of the OPEB Expense as of June 30:

		2020		2019
Service cost at end of year	**$**	**385,106**	$	446,136
Interest on total OPEB liability and service cost		**299,938**		369,767
Current period recognition of deferred inflows and outflows of resources:				
Difference between expected and actual experience in the total OPEB liability		**(106,046)**		(92,613)
Changes of assumptions or other inputs		**(77,441)**		(278,349)
OPEB expense	**$**	**501,557**	$	444,941

NOTE 11. CONTINGENCIES

Silvery Minnow

In prior years, the District was party to a number of lawsuits regarding protection of the silvery minnow, a fish which is native to the Rio Grande and is an endangered species. These actions were in regard to the United States government agencies' obligations and authorities to provide protection for the silvery minnow including managing river flow to accommodate their existence. Initial Court rulings had the United States Bureau of Reclamation ("Bureau") discretion to reduce deliveries of certain available water under its contracts with the District to comply with the Endangered Species Act. This ruling was dismissed on appeal. In the following years, parties to those proceedings abided by a 2003 biological opinion issued by the United States Fish and Wildlife Service. A new biological opinion (2016 BO) was issued in December 2016. The 2016 BO no longer requires targeted river flow requirements as was the case in the 2003 BO.

NOTE 11. CONTINGENCIES (CONTINUED)

Silvery Minnow (Continued)

The 2016 BO is a performance based BO that requires certain actions to be accomplished in a five and ten-year planning horizon as well as maintain a base silvery minnow population of no less than 0.3 Catch Per Unit Effort (CPUE) in a three-year period with a goal of 1.0 CPUE or better as measured in October of each year to be considered a self-sustaining population. The MRGCD has remained in compliance with the 2016 BO and continues to invest dedicated resources for the purpose of maintaining compliance for the 15-year period of coverage under this BO. The official determination for 2019 shows the October silvery minnow numbers at 2.11 CPUE, well above the 1.0 CPUE required for 10 out of 15 years under this BO.

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

Title Claim

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

NOTE 11. CONTINGENCIES (CONTINUED)

Current Litigation/Claims

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

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

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

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

In May 2013, the Pueblo of Isleta sent a letter to the United States arguing that the United States breached its duty of trust to the Pueblo and damaged the Pueblo because of the failure to properly maintain the Isleta Dam. The United States has indicated it considers the District responsible for the damages to the Pueblo; the District denies this. The United States has been negotiating with the Pueblo along with the District on this issue and the three parties formed a technical team and a legal team to address the issues. After lengthy negotiations, the parties entered into a Global Settlement Agreement in 2017 resolving the Pueblo's claims. The District's financial contributions to this Settlement is to provide a total of $2.5 million during a ten-year period ending in 2027 to help resolve sedimentation and fish passage at Isleta Diversion Dam. This is expected to be part of the existing District budget for infrastructure improvements deemed necessary prior to the specific requirements of this Settlement. The District funding will leverage $7.5 million in federal funding to help solve the identified problems with the Dam. The District has completed a major obligation in 2019 to remove all "legacy" sediment stockpiled on Pueblo lands and continues to participate in accordance with the requirements of the settlement agreement.

NOTE 11. CONTINGENCIES (CONTINUED)

Current Litigation/Claims (Continued)

In 2016, a plaintiff filed an inverse condemnation action as a result of a flooding incident on July 26, 2013. Plaintiffs have also sued the County of Socorro and the New Mexico Department of Transportation. The District was added to the case in the second amended complaint. A settlement has resolved this case and it has been dismissed.

Bosque del Sol, LLC has filed an action against the District and its CEO, Mike Hamman, alleging a violation of the Open Meetings Act and seeks a Declaratory Judgment. A settlement has resolved this case and it has been dismissed.

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

NOTE 12. COMMITMENTS

Middle Rio Grande Flood Damage Reduction, Bernalillo to Belen

In September 2012, the District entered into an agreement with the United States Department of the Army ("government") under which the government agreed to conduct a study to identify and evaluate alternatives and make recommendations for flood damage reduction from Bernalillo to Belen, New Mexico. The initial estimated cost of the study was $950,000. During 2014, the government revised the estimated cost of the study to $1,380,000. The costs have now increased to $3,000,000. The District, with demonstrated assistance from the State on previous levee studies, is required to pay 50% of the cost of the study or $1,500,000. The District's commitment has been fulfilled. As this project moves forward, the District will seek to find funding either in its own budget in future fiscal years or in partnership with various state agencies impacted by this project. The project has cleared the Agency Milestone stage and has been recommended to proceed to the Commander of the Corps of Engineers. A final determination will be issued by February 2020.

NOTE 12. COMMITMENTS (CONTINUED)

Rio Grande Floodway San Acacia to Bosque del Apache Unit

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

Bernalillo New Mexico Section 205 Feasibility

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

In July 2014, the District Board of Directors agreed to execute an agreement with the United States Department of the Army ("government") for a feasibility study for flood risk management for the Town of Bernalillo, New Mexico. Some work was performed on the feasibility study, but further work has been suspended until such time as the local flood control entity, ESCAFCA, completes certain flood control projects in partnership with the Town of Bernalillo, the District and others.

Rio Grande Environmental Management Plan - Sandia to Isleta

This plan provides a collaborative mechanism for working with state, federal, local, international, Tribal and non-governmental interests for planning, construction and evaluation of measures for fish and wildlife habitat rehabilitation and enhancement. The United States Department of the Army ('government") was able to get funding authorized for up to $1.5 million federal requiring a dollar to dollar match by the local sponsor that is the District. This study has higher benefits to other local governments and the District is actively seeking their support to cover the up to $1.5 million in cost share. The District has paid cash or authorized refund dollars for a total of $250,000 as of the fiscal year end in order to keep this project on task. Work on this Plan has been shelved until such time as the REMP funding authorization gets restored in the next WRDA bill.

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

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

NOTE 12. COMMITMENTS (CONTINUED)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Encumbrances outstanding of $1,218,861 and $1,636,271 at June 30, 2020 and 2019, respectively, are included in assigned fund balances in the accompanying balance sheets.

NOTE 13. TAX ABATEMENT DISCLOSURES

There are no tax abatements enacted by the District.

The District is subject to tax abatements entered in by other governmental entities. Each agreement was negotiated under the authority of Section 7-37-6 and Section 7-38 NMSA 1978. The types of abated taxes reported to the District by other entities includes real property tax. Bernalillo County reported abatements to the District.

Information relevant to the disclosure of the abatements entered by other governmental entities for fiscal year ended June 30, 2020 is as follows:

Abating Agency	Recipients of the Abatement		Real Property Taxes Abated
Bernalillo County	Friedman Recycling	$	3,198
	Hotel Chaco		28,087
	Lease Agreement between Bernalillo County and Silver Moon Lodge, LLLP		13,294
	GAHP Project IRB (Sterling Downtown)		8,695
	Lease Agreement between Bernalillo County and UR Silver LLC		11,386
	Los Poblanos		17,099
	One Central Parking		793
	Rio Bravo Brewing		1,849
	Sawmill Bellamah Properties, LLC		2,630
	US Foodservice, Inc.		23,338
		$	110,369

NOTE 14. PRIOR PERIOD ADJUSTMENT

Net assets as of the beginning of the fiscal year ended June 30, 2019 reported in the statement of net position have been adjusted by $2,421,155 to record a liability for a settlement payable not previously recognized in prior years. The liability is related to an agreement entered into among the District, the Pueblo of Isleta (Pueblo) and the United States Bureau of Reclamation effective October 2016. Through the agreement, the District is obligated to contribute $2,500,000 to the Pueblo in cash or in-kind services over ten years from the effective date of the agreement. The District reported a liability related to the settlement agreement in the statement of activities of $2,039,349 and $2,421,155 for the years ended June 30, 2020 and 2019, respectively. Because the full amount is not required to be paid until October 2026, the liability has been reported as non-current.

NOTE 15. RECENT GASB PRONOUNCEMENTS

The District evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2020:

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

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

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the specified pronouncements are postponed by one year. The effective date for GASB Statement No. 87, *Leases,* has been postponed by 18 months. The requirements of this statement are effective immediately. The District has adopted this standard in the year ended June 30, 2020.

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

In June 2017, the GASB issued Statement No. 87, *Leases.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for eighteen months. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect future financial statements.

NOTE 15. RECENT GASB PRONOUNCEMENTS (CONTINUED)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect future financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* This Statement addresses a variety of topics. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements of this Statement for all other topics are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address agreements in which variable payments made or received depend on an interbank offered rate (IBOR) and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY 2023). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022). Earlier application is encouraged. The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

NOTE 15. RECENT GASB PRONOUNCEMENTS (CONTINUED)

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY 2023). Earlier application is encouraged. The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). The District will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

NOTE 16. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 7, 2020, the date which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. As of December 7, 2020, the District is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on our business as of the date of issuance.

REQUIRED SUPPLEMENTAL INFORMATION

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

	June 30:					
Fiscal Year	2020	2019	2018	2017	2016	2015
Measurement Date	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.9830%	0.9839%	0.9167%	0.9355%	0.9641%	0.9750%
District's proportionate share of the net pension liability	$ 17,016,707	15,687,008	12,596,234	14,946,142	9,829,835	$ 7,606,046
District's covered payroll	8,651,794	8,305,085	8,051,600	8,028,645	8,028,757	8,028,757
District's proportionate share of the net pension liability as a percentage of its covered payroll	196.68%	188.88%	156.44%	186.16%	122.43%	94.74%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

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

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

	June 30:					
	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 893,143	826,103	793,135	768,886	766,736	$ 766,746
Contributions in relation to the contractually required employer contribution	893,143	826,103	793,135	768,886	766,736	766,746
Contribution excess	-	-	-	-	-	-
District's covered payroll	9,352,283	8,651,794	8,305,085	8,051,600	8,028,645	8,028,757
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%	9.55%	9.55%

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

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

Changes of Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2019 report is available at http://www.nmpera.org/.

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

	June 30:			
Fiscal Year	2020	2019	2018	2017
Service cost at end of year	$ 385,106	446,136	429,225	$ 496,774
Interest	299,938	369,767	316,992	258,276
Difference between expected and actual experience	(94,039)	(648,293)	-	-
Changes of assumptions or other inputs	1,406,355	(886,574)	(295,116)	(800,395)
Benefit payments	(233,789)	(225,003)	(169,766)	(155,558)
Net change in total OPEB liability	1,763,571	(943,967)	281,335	(200,903)
Total OPEB liability - beginning	8,276,029	9,219,996	8,938,661	9,139,564
Total OPEB liability - ending	10,039,600	8,276,029	9,219,996	8,938,661
Covered-employee payroll	9,376,340	8,830,062	8,460,665	8,316,934
Total OPEB liability as a percentage of covered-employee payroll	107.07%	93.73%	108.97%	107.48%

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

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

	June 30: 2020	2019	2018	2017
Contractually required employer contribution	$ 233,789	225,003	169,766	$ 155,558
Contributions in relation to the contractually required employer contribution	233,789	225,003	169,766	155,558
Contribution excess (deficiency)	-	-	-	-
District's covered payroll	9,376,340	8,830,062	8,460,665	8,316,934
Contributions as a percentage of covered payroll	2.49%	2.55%	2.01%	1.87%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

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

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH, INVESTMENTS AND PLEDGED COLLATERAL
Year Ended June 30, 2020

Account Name	Type		Reconciled Balance	Wells Fargo Bank NM, NA
Cash and cash equivalents				
G/F Operating	Checking	$	1,311,443	1,701,538
G/F Basic Flex Plan	Checking		5,922	5,922
G/F Payroll	Checking		-	-
Endowment fund	Savings		-	-
Petty cash / assessment drawer			900	-
Restricted cash and cash equivalents				
NMFA Debt Servicing***			116,487	-
NMFA Reserve Funds***			282,511	-
NMFA Program funds***			37,063	-
Investments				
NM LGIP - G/F Operating			16,076,438	-
NM LGIP - G/F Capital reserve fund			492,511	-
NM LGIP - SRF Endowment			6,288,380	-
NM LGIP - SRF Leveee projects			1,059,720	-
NM LGIP - SRF AMAFCA future projects			406,192	-
NM LGIP - SRF Bernalillo County future projects			78,063	-
Total cash and cash equivalents and investments		$	26,155,630	

Total bank deposits				1,707,460
Less: FDIC coverage				(1,000,000)
Total uninsured public funds				707,460
50% collateral requirement (*Section 6-10-17 NMSA 1978*)				353,730
Pledged Collateral:				
FNMA	3132A5HY4	3.50%	12/1/2047	3,168
FMAC	3133KHLN4	3.00%	2/1/2050	99,006
FNMA	3141JQTX1	3.00%	9/1/2019	163,222
FNMA	3140QCWM4	3.00%	2/1/2050	48,095
Total collateral				313,491
Amount over / (under) collateralized				$ (40,239)

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

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

Reconciliation to Statement of Net Position:	
Cash and cash equivalents	$ 1,318,265
Restricted cash and cash equivalents	436,061
Investments in local government investment pool	24,401,304
Total cash and cash equivalents and investments	$ 26,155,630

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH, INVESTMENTS AND PLEDGED COLLATERAL
Year Ended June 30, 2019

Account Name	Type	Reconciled Balance	Wells Fargo Bank NM, NA	Bank of America
Cash and cash equivalents				
G/F Operating	Checking	$ 797,097	1,357,549	$ -
G/F Basic Flex Plan	Checking	4,178	5,012	-
G/F Payroll	Checking	(465)	-	-
Water Bank fund	Checking	604,577	-	604,577
Endowment fund	Savings	634,773	-	634,773
Petty cash / assessment drawer		900	-	-
Restricted cash and cash equivalents				-
NMFA Debt Servicing***		112,706	-	-
NMFA Reserve Funds***		277,690	-	-
NMFA Program funds***		514,034	-	-
Investments				-
NM LGIP - G/F Operating		15,417,401	-	-
NM LGIP - Endowment		6,591,627	-	-
Total cash and cash equivalents and investments		$ 24,954,518		
Total bank deposits			1,362,561	1,239,350
Less: FDIC coverage			(250,000)	(250,000)
Total uninsured public funds			1,112,561	989,350
50% collateral requirement (*Section 6-10-17 NMSA 1978*)			556,281	494,675

Pledged Collateral:

				Wells Fargo Bank NM, NA	Bank of America
FNMA	31417DSC8	3.00%	10/1/2042	721,685	-
FMAC	3132QNQC0	4.50%	2/1/2042	-	16,095
FNMA	3138EGJZ8	5.50%	10/1/2038	-	22,747
FNMA	3138EGWW0	5.00%	4/1/2041	-	11,957
FNMA	3138WEZS3	4.00%	1/1/2045	-	12,305
FNMA	31419AG35	4.50%	8/1/2040	-	968,330
FNMA / FMAC	Various similar securities			-	7,380
Total collateral				721,685	1,038,814
Amount over / (under) collateralized				$ 165,404	$ 544,139

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

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

COMPLIANCE SECTION

1030 18th Street NW
Albuquerque, NM 87104
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Brian S Colón, Esq., New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the State of New Mexico, Middle Rio Grande Conservancy District, ("District"), as of and for the year ended June 30, 2020 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 7, 2020.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2020-001.

The District's Response to Findings

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
December 7, 2020

A. SUMMARY OF AUDIT RESULTS

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

B. PRIOR YEAR AUDIT FINDINGS

None

C. CURRENT YEAR AUDIT FINDINGS

2020-001 Deposits Undercollateralized (Other Non-compliance)

Condition

At June 30, 2020, the District did not have adequate collateralization of its cash deposits.

Criteria

Pursuant to 2.2.2.10 Subsection P NMAC, agencies are required to obtain adequate collateral against public deposits that are exposed to custodial credit risk.

Effect

At June 30, 2020, the District had public deposits that were exposed to custodial credit risk pursuant to the statute referenced above.

Cause

A large deposit came in late afternoon and after the collateral purchases were made by Wells Fargo on June 30, 2020. The District failed to hold the deposit until the next day to allow the bank to increase the collateralization amounts the morning of July 1, 2020. Because June 30, 2020 was the last day of the year, the District wanted to account for the cash deposit.

Recommendation

We recommend that the cash balances that are potentially exposed to custodial credit risk be monitored on a more frequent basis to enable management to identify possible instances where the balances are or could be at risk.

C. CURRENT YEAR AUDIT FINDINGS (CONTINUED)

2020-001 Deposits Undercollateralized (Other Non-compliance) (Continued)

Management's Response

The District concurs with the finding. Cash balances are monitored on a daily basis. The District has set up a process to monitor late deposits and notify the public funds collateral department at the bank. The District also asked the bank to increase the collateral percentage. The District expects this finding to be resolved in FY2021.

Estimated Timeline to Correct

A process has been set up to monitor late deposits and notify the public funds collateral department at the bank. The District has corrected the issue.

Responsible Official

CFO/Secretary/Treasurer

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2020

A. EXIT CONFERENCE

An exit conference was held on December 7, 2020, to discuss the annual financial report. Attending were the following:

Middle Rio Grande Conservancy District:

Mike Hamman	Chief Executive Officer
Pamela Fanelli	Secretary/Treasurer
Melin Villegas-Vargas	Accounting Manager
Valerie Moore	Director
John Kelly	Director
Barbara Baca	Director

Ricci & Company, LLC:

Mark Santiago, CPA, Senior Audit Manager

B. AUDITOR PREPARED FINANCIAL STATEMENTS

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