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6200 Uptown Blvd., NE Suite 400

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2021

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

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

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Official Roster
June 30, 2021

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 Alma C. Roberson	Division No. 7	Honorable Catherine Begaye	Division No. 8
Honorable Cindy Leos	Division No. 9	Honorable Bruce Fox	Division No. 10
Honorable Gerard Lavelle	Division No. 11	Honorable Elaine P. Lujan	Division No. 12
Honorable Lisa Chavez Ortega	Division No. 13	Honorable Marie Ward	Division No. 14
Honorable Courtney Bryn Weak	Division No. 15	Honorable Jennifer J. Wernersbach	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 Britt M. Baca-Miller	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 Joseph Montano	Division No. 26
Honorable Victor Lopez	Division No. 27	Honorable Clara Moran	Division No. 28
Honorable Lucy Solimon	Division No. 29		

*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

	<u>Position No.</u>	<u>County</u>
Karen Dunning, Chairperson	3	Bernalillo
Stephanie Russo Baca, Vice-Chair	4	Valencia
Barbara Baca	1	At-Large
John P. Kelly	2	Bernalillo
Glen Duggins	6	Socorro
Michael T. Sandoval	7	Sandoval
Joaquin Baca	4	Bernalillo

OFFICERS

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



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

Independent Auditors' Report

Brian S. Colón, Esq., New Mexico State Auditor
and

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico

and

The Board of Directors of the
State of New Mexico
Middle Rio Grande Conservancy District
Albuquerque, New Mexico

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, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021 and 2020 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.

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, and the pension schedules on pages 68 - 69 for the District's participation in the Public Employees Retirement Association (PERA Plan) and other postemployment benefit plan, on pages 70 - 71, and the notes to required supplementary schedules related to pension and Other Postemployment Benefit (OPEB) on page 72 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.

Supplementary 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 10, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
December 10, 2021

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

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, 2021. 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 operations and maintenance 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 2021, 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, 2021, water service charge assessments were assessed and levied at a uniform rate per acre of \$43.82. The District kept the water service charge rate at \$43.82 per acre in January of 2021 to be billed in fiscal year 2022.

The District experienced a difficult 2020/2021 irrigation season. The summer of 2020 was hot and dry. The winter season of fiscal year 2021 did not provide significant snowpack 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 in July 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 District farmers, 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 winter of 2020/2021 was again well below average and due to accumulated Rio Grande Compact debit of 96,800 acre-feet, the District was unable to store any native Rio Grande at El Vado Dam. Its available San Juan-Chama water supplies were also below average with only 10,000 acre-feet allocated by June 30, 2021. Prior and Paramount water was stored in El Vado under the restriction of Article VII of the Rio Grande Compact.

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 2021 include continuation in repairing multiple sites where the levee/riverside drain system suffered damages due to high flows during the 2019 spring runoff. Due to COVID-19 restrictions and constraints the District reduced work on projects requiring the congregation of employees but did construct a few priority water measurement and control structures with force account crews, installed numerous turnouts, and performed work of deferred maintenance items such as drains, roads, and other features needing maintenance. Other projects continued 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.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

COVID-19 continued to have an impact on the District. The District continues to practice social distancing and requires all employees to wear masks while at work around other employees. 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's net position increased by \$3.75 million from \$27.4 million in fiscal year 2020 to \$31.1 million in fiscal year 2021. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$31.1 million (net position). As of June 30, 2021, unrestricted net position totaled \$4.24 million.
- The District's long term obligations decreased by \$597 thousand during the current fiscal year. Net pension liability and net OPEB liability increased by \$587 thousand.
- As of June 30, 2021, the District's governmental funds reported combined ending fund balances of \$27.7 million. Of the total, \$15.7 million is available for spending at the District's discretion (sum of unassigned and assigned fund balances).
- As of June 30, 2021, the fund balance of the General Fund was \$19.5 million. Unassigned fund balance of the General Fund was \$10.6 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.

Government-Wide Financial Statements

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

Fund Financial Statements

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

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.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

STATEMENT OF NET POSITION

	Governmental Activities		Total Percent Change
	2021	2020	
ASSETS			
Current and other short term assets	\$ 31,351,803	\$ 30,180,206	3.9%
Capital assets, net of depreciation	28,152,398	28,753,775	-2.1%
Total assets	59,504,201	58,933,981	1.0%
DEFERRED OUTFLOWS OF RESOURCES	7,586,914	4,354,793	74.2%
LIABILITIES			
Current liabilities	2,574,776	2,332,427	10.4%
Long-term liabilities excluding net pension and net OPEB liability	3,950,351	4,547,497	-13.1%
Net pension and net OPEB liability	27,643,798	27,056,307	2.2%
Total liabilities	34,168,925	33,936,231	0.7%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions & OPEB	1,820,501	1,996,497	-8.8%
Total deferred inflows of resources	1,820,501	1,996,497	-8.8%
NET POSITION			
Net investment in capital assets	26,429,749	26,625,984	-0.7%
Restricted	434,523	436,061	-0.4%
Unrestricted	4,237,417	294,001	1341.3%
Total net position	\$ 31,101,689	\$ 27,356,046	13.7%

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION

- Total assets increased by \$570 thousand which represents an increase in current assets of \$1.17 million and a decrease in capital assets of \$601 thousand.
- Deferred outflow of resources increased by \$3.2 million due to an increase in deferred outflows related to pensions of \$2.4 million and deferred outflows related to OPEB liabilities of \$.8 million.
- Total liabilities increased by \$230 thousand. Net pension liability increased by \$2.59 million and net OPEB liability decreased by \$2.0 million followed by a net decrease in current liabilities and long-term liabilities of \$360 thousand.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

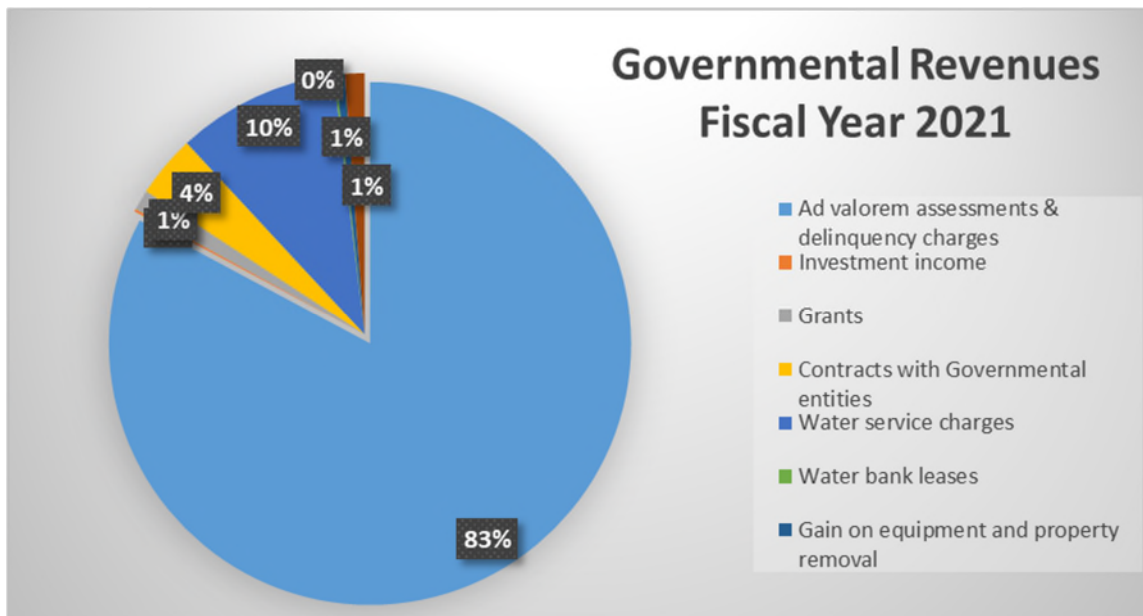
CHANGE IN NET POSITION

	<u>Governmental Activities</u>		Total Percent Change
	<u>2021</u>	<u>2020</u>	
REVENUES			
Program revenues	\$ 3,646,796	\$ 3,409,570	7.0%
General revenues	20,462,704	20,285,083	0.9%
Total revenues	<u>24,109,500</u>	<u>23,694,653</u>	1.8%
EXPENSES			
Public works	<u>20,363,857</u>	<u>24,754,863</u>	-17.7%
CHANGE IN NET POSITION	3,745,643	(1,060,210)	-453.3%
Net position, beginning of the year	<u>27,356,046</u>	<u>28,416,256</u>	-3.7%
Net position, end of the year	<u>\$ 31,101,689</u>	<u>\$ 27,356,046</u>	13.7%

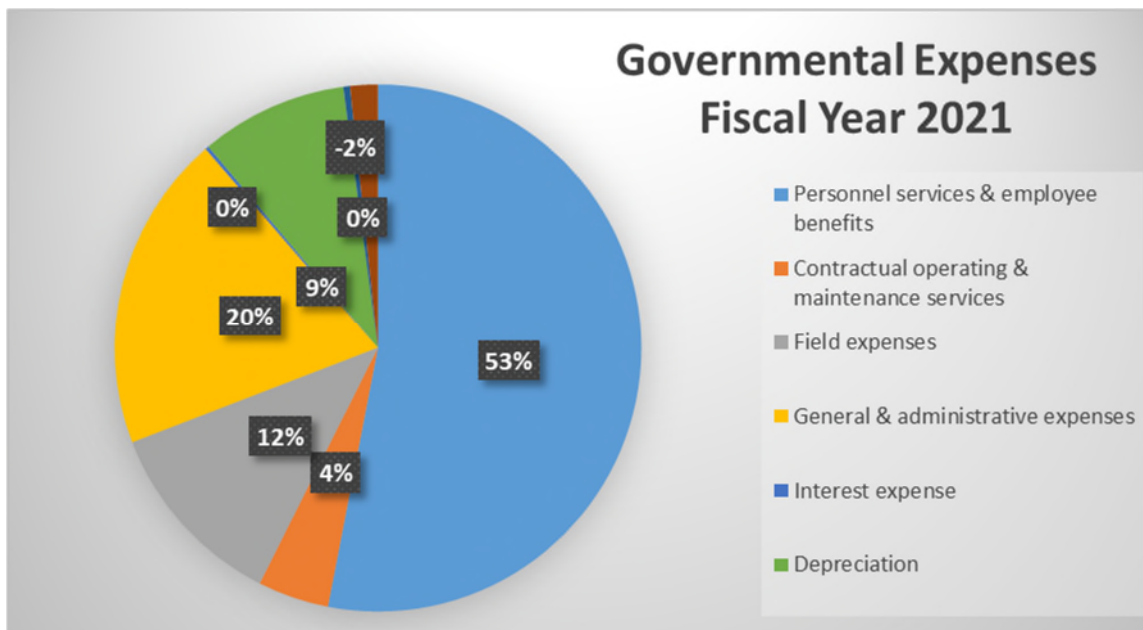
FINANCIAL HIGHLIGHTS – STATEMENTS OF ACTIVITIES

- Total revenues increased by \$415 thousand. This was due to increases in ad valorem assessments of \$615 thousand, water service charges of \$230 thousand, other miscellaneous revenue of \$111 thousand, contract and grant revenue of \$7 thousand, and gain on disposals of \$46 thousand, followed by decreases in investment income of \$273 thousand, and water bank leases of \$321 thousand.
- Program expenses decreased by \$4.4 million. Employee benefits decreased by \$5.3 million with a reduction in OPEB expense of \$3.1 million and pension expense of \$2.2 million followed by increases in other District expenses of \$900 thousand from the previous fiscal year.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)



Total revenues increased by 1.8% due to increases in ad valorem assessments, water service charges, and other miscellaneous revenue followed by decreases in investment income and water bank lease revenue. Ad Valorem revenue makes up 83% of the total revenue.



Program expenses in fiscal year 2021 decreased by \$4.4 million from the previous year. Employee benefits decreased by \$5.3 million with a reduction in OPEB expense of \$3.1 million and pension expense of \$2.3 million. Other District expenses increased by \$900 thousand from the previous fiscal year. Personnel services and employee benefits accounted for 53% of the total expenses.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

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 District's 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 \$27.7 million, an increase of \$1.2 million in comparison with the prior year. Of the total balance at year-end, \$920 thousand is non-spendable, \$434 thousand is restricted, \$10.7 million is committed, \$5.1 million is assigned and \$10.6 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 \$1.2 million.

Revenues of governmental funds overall totaled \$24.1 million in the fiscal year ended June 30, 2021 which represents a decrease of \$590 thousand from the previous year of \$24.7 million. The primary reasons are as follows: Ad valorem assessments and delinquency charges increased \$720 thousand from the previous year, water service charges increased by \$150 thousand, contract and grant revenue decreased by \$960 thousand, investment income decreased by \$270 thousand and other revenue categories decreased by \$230 thousand. The District's governmental expenditures of \$23.1 million decreased by \$400 thousand from the previous year of \$23.5 million. Current operations increased by \$590 thousand followed by a decrease of capital outlay of \$990 thousand.

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 \$19.5 million of which \$15.8 million is assigned and unassigned, \$2.4 million is committed, \$400 thousand is restricted and \$900 thousand is non-spendable. The net change in fund balance for the General fund for the current fiscal year was an increase of \$252 thousand.

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, 2021, in summary, the District's General fund ended the year with a budget surplus of \$252 thousand compared to an expected balanced budget. The surplus will be moved to the capital improvement fund.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

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

For the fiscal year ended June 30, 2021, actual revenues were \$24.3 million compared to budgeted revenues of \$24.3 million resulting in a surplus of revenues of \$8.0 thousand more than budgeted. Ad Valorem revenue came in higher than budgeted however this was offset by lower amounts for Water Bank Fees and Interest on investments. The District also realized a higher gain on sale of equipment than budgeted.

For the fiscal year ended June 30, 2021, actual expenditures including transfers were \$24.0 million compared to budgeted expenditures of \$24.3 million resulting in a surplus of expenditures of \$254 thousand.

In summary, the District's General fund ended the year with a budget surplus of \$252 thousand compared to an expected balanced budget.

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.
- The water service charge rates remained consistent at \$43.82 per acre in calendar year 2021. The rates were equalized with what it should have been 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 15 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. Phase 1 - title transfer for all facilities south of the Isleta Pueblo boundary was completed in November 2021. 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

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

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 14 – Contingencies.

Asset Management Plan

- The District has created a Capital Equipment Replacement Plan that identifies the condition of the assets. A budget plan has been implemented to replace assets that are beyond their useful life. The District is in the process of assessing the condition of its infrastructure by working on a phased asset management plan.

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 15.

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, 2022; 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, 2022, 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 as 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, 2021, no loans have been given to District Farmers.

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

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 is helping inform management and the Board about out-year operating budgets and capital outlay needs. Specific capital replacements and improvements are 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, 2021, total \$28.2 million net of accumulated depreciation. The decrease in capital assets in the current fiscal year was \$600 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:

	<u>2021</u>	<u>2020</u>
Land	\$ 484,882	\$ 484,882
Buildings	2,862,940	1,848,027
Equipment	8,443,854	9,270,605
Infrastructure	11,222,706	11,134,671
Construction in progress	<u>5,138,016</u>	<u>6,015,590</u>
Total	<u><u>\$ 28,152,398</u></u>	<u><u>\$ 28,753,775</u></u>

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 \$1.7 million of which \$415 thousand is due or payable within the next fiscal year. The Isleta Dam settlement agreement is \$2.03 million as of June 30, 2021. Net pension liability increased from \$17.0 million in fiscal year 2020 to \$19.6 million in fiscal year 2021, or by \$2.6 million. Net OPEB liability decreased from \$10.0 million in fiscal year 2020 to \$8.0 million in fiscal year 2021, or by \$2.0 million. Accrued compensated absences decreased by \$78 thousand from \$1.24 million in fiscal year 2020 to \$1.16 million in fiscal year 2021.

Economic Factors and Next Year's Budget

- The District approved a balanced budget using operating funds and funds from the capital reserve cash account (fund balance) and is using a portion of the surplus realized from fiscal years 2018, 2019, and 2020. Total budgeted expenditures totaled \$32.0 million. Proposed revenues totaled \$29.9 million with an additional \$2.1 million of cash reserve creating a balanced budget. The District forecasted 3% increases in Ad valorem revenues

STATE OF NEW MEXICO, MIDDLE RIO GRANDE CONSERVANCY DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2021 and 2020
(Required Supplementary Information)

and took a conservative approach to expenditures in fiscal year 2021. The District is planning to invest a significant amount in our capital assets.

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

CONTACTING DISTRICT MANAGEMENT

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

	Governmental Activities	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,283,403	\$ 1,318,265
Restricted cash and cash equivalents	434,523	436,061
Investment in Local Government Investment Pool	25,658,908	24,401,304
Current receivables:		
Ad valorem assessments, net	2,422,271	2,371,759
Water service and delinquency charges, net	242,752	274,668
Government contracts and grants receivable		
Federal	106,945	110,709
Local	-	83,153
Interest receivable	1,267	6,394
Other receivable	277,640	211,198
Material and supply inventories, at cost	917,834	953,055
Prepaid expense	6,260	13,640
Total current assets	31,351,803	30,180,206
Non-current Assets		
Capital assets, net	28,152,398	28,753,775
Total non-current assets	28,152,398	28,753,775
Total assets	59,504,201	58,933,981
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	4,698,792	2,256,203
Employer contributions subsequent to measurement date	920,021	893,143
Deferred outflows related to OPEB	1,968,101	1,205,447
Total deferred outflows of resources	7,586,914	4,354,793
Total assets and deferred outflows of resources	\$ 67,091,115	\$ 63,288,774

The Notes to 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, 2021 AND 2020**

	Governmental Activities	
	2021	2020
LIABILITIES		
Current Liabilities		
Vouchers payable	\$ 365,264	\$ 247,810
Accrued payroll and related benefits payable	687,889	655,831
Other liabilities	78,400	85,900
Accrued compensated absences	542,894	453,353
Accrued payable to local governments	484,990	484,391
Notes payable	415,339	405,142
Total current liabilities	2,574,776	2,332,427
Non-current Liabilities		
Accrued compensated absences, net of current portion	617,971	785,499
Notes payable, net of current portion	1,307,310	1,722,649
Settlement payable, due after one year	2,025,070	2,039,349
Net pension liability	19,603,472	17,016,707
Net OPEB liability	8,040,326	10,039,600
Total non-current liabilities	31,594,149	31,603,804
Total liabilities	34,168,925	33,936,231
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	162,577	289,964
Deferred inflows related to OPEB	1,657,924	1,706,533
Total deferred inflows of resources	1,820,501	1,996,497
NET POSITION		
Net investment in capital assets	26,429,749	26,625,984
Restricted	434,523	436,061
Unrestricted	4,237,417	294,001
Total net position	31,101,689	27,356,046
Total liabilities, deferred inflows of resources, and net position	\$ 67,091,115	\$ 63,288,774

The Notes to 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, 2021 AND 2020**

	Governmental Activities	
	2021	2020
Program Expenses		
Public works:		
Personnel services	\$ 9,660,678	\$ 9,556,248
Employee benefits	1,521,286	6,780,482
Contractual operating and maintenance services	921,768	886,745
Field expenses	2,474,073	2,275,176
General and administrative expenses	4,107,638	3,615,423
Interest expense	45,261	51,313
Depreciation	1,904,851	1,803,853
Other grant expenditures	86,062	-
Internal costs capitalized	(357,760)	(214,377)
Total program expenses	20,363,857	24,754,863
Program Revenues		
Charges for services:		
Water services charges	2,415,816	2,186,062
Operations and maintenance contracts:		
Federal	670,724	721,844
Local	302,878	332,065
Program specific operating grants:		
Federal	257,378	168,342
Local	-	1,257
Total program revenues	3,646,796	3,409,570
Net program (expense) revenues	(16,717,061)	(21,345,293)
General revenues		
Ad valorem assessments	19,701,936	19,100,137
Ad valorem interest	262,962	249,929
Investment income	40,881	314,299
Gain on equipment and property removal	128,478	82,905
Land sales and water bank fees	33,317	354,042
Licensing fees	80,408	68,957
Other revenue	214,722	114,814
Total general revenues	20,462,704	20,285,083
Increase (decrease) in net position	3,745,643	(1,060,210)
Net position, beginning of year	27,356,046	28,416,256
Net position, end of year	<u>\$ 31,101,689</u>	<u>\$ 27,356,046</u>

The Notes to 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, 2021 WITH COMPARATIVE 2020 TOTALS**

	General	Special Revenue	Total 2021	Total 2020
ASSETS				
Cash and cash equivalents	\$ 1,283,403	-	1,283,403	\$ 1,318,265
Restricted cash held with fiscal agent	434,523	-	434,523	436,061
Investment in local government investment pool	16,886,164	8,772,744	25,658,908	24,401,304
Current receivables:				
Ad valorem assessments, net	2,422,271	-	2,422,271	2,371,759
Water service and delinquency charges, net	242,752	-	242,752	274,668
Governmental contracts and grants receivable				
Federal	106,945	-	106,945	110,709
Local	-	-	-	83,153
Interest receivable	1,183	84	1,267	6,394
Other receivables	277,640	-	277,640	211,198
Material and supply inventories, at cost	917,834	-	917,834	953,055
Prepaid expense	6,260	-	6,260	13,640
Total assets	<u><u>\$ 22,578,975</u></u>	<u><u>8,772,828</u></u>	<u><u>31,351,803</u></u>	<u><u>\$ 30,180,206</u></u>
LIABILITIES				
Vouchers payable	\$ 365,264	-	365,264	\$ 247,810
Accrued payroll and related benefits payable	687,889	-	687,889	655,831
Other liabilities	78,400	-	78,400	85,900
Accrued payable to local governments	-	484,990	484,990	484,391
Total liabilities	<u><u>1,131,553</u></u>	<u><u>484,990</u></u>	<u><u>1,616,543</u></u>	<u><u>1,473,932</u></u>
DEFERRED INFLOWS OF RESOURCES				
Revenue not available to pay current period expenditures	1,987,114	-	1,987,114	2,149,576
Total liabilities and deferred inflows of resources	<u><u>3,118,667</u></u>	<u><u>484,990</u></u>	<u><u>3,603,657</u></u>	<u><u>3,623,508</u></u>
FUND BALANCES				
Nonspendable inventory and prepaids	924,094	-	924,094	966,695
Restricted	434,523	-	434,523	436,061
Committed	2,406,933	8,287,838	10,694,771	7,840,907
Assigned	5,111,000	-	5,111,000	3,015,304
Unassigned	10,583,758	-	10,583,758	14,297,731
Total fund balances	<u><u>19,460,308</u></u>	<u><u>8,287,838</u></u>	<u><u>27,748,146</u></u>	<u><u>26,556,698</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 22,578,975</u></u>	<u><u>8,772,828</u></u>	<u><u>31,351,803</u></u>	<u><u>\$ 30,180,206</u></u>

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

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

	General	Special Revenue	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,318,265	-	\$ 1,318,265
Restricted cash held with fiscal agent	436,061	-	436,061
Investment in local government investment pool	16,568,949	7,832,355	24,401,304
Current receivables, net:			
Ad valorem assessments, net	2,371,759	-	2,371,759
Water service and delinquency charges, net	274,668	-	274,668
Governmental contracts and grants receivable			
Federal	110,709	-	110,709
Local	83,153	-	83,153
Interest receivable	5,962	432	6,394
Other receivables	211,198	-	211,198
Material and supply inventories, at cost	953,055	-	953,055
Prepaid expense	13,640	-	13,640
Total assets	\$ 22,347,419	7,832,787	\$ 30,180,206
LIABILITIES			
Vouchers payable	\$ 247,810	-	\$ 247,810
Accrued payroll and related benefits payable	655,831	-	655,831
Other liabilities	85,900	-	85,900
Accrued payable to local governments	-	484,391	484,391
Total liabilities	989,541	484,391	1,473,932
DEFERRED INFLOWS OF RESOURCES			
Revenue not available to pay current period expenditures	2,149,576	-	2,149,576
Total liabilities and deferred inflows of resources	3,139,117	484,391	3,623,508
FUND BALANCES			
Nonspendable inventory and prepaids	966,695	-	966,695
Restricted	436,061	-	436,061
Committed	492,511	7,348,396	7,840,907
Assigned	3,015,304	-	3,015,304
Unassigned	14,297,731	-	14,297,731
Total fund balances	19,208,302	7,348,396	26,556,698
Total liabilities, deferred inflows of resources and fund balances	\$ 22,347,419	7,832,787	\$ 30,180,206

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE BALANCE SHEETS – GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Total fund balances (balance sheet)	\$ 27,748,146	\$ 26,556,698
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.	28,152,398	28,753,775
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	1,987,114	2,149,576
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	5,766,413	2,358,296
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	(1,160,865)	(1,238,852)
Settlement payable, due after one year	(2,025,070)	(2,039,349)
Notes payable	(1,722,649)	(2,127,791)
Net pension liability	(19,603,472)	(17,016,707)
Obligation for postemployment benefits	<u>(8,040,326)</u>	<u>(10,039,600)</u>
Total net position (statement of net position)	<u>\$ 31,101,689</u>	<u>\$ 27,356,046</u>

The Notes to 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 – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2020**

			Governmental Funds	
	General	Special Revenue	Total 2021	Total 2020
Revenues				
Ad valorem assessments	\$ 19,792,819	-	19,792,819	\$ 19,075,444
Ad valorem interest	262,962	-	262,962	249,929
Water service charges	2,446,634	-	2,446,634	2,299,642
Investment income	39,038	1,843	40,881	314,299
Contracts with governmental entities				
Federal	730,878	-	730,878	721,844
Local	302,878	-	302,878	332,065
Operating and capital grants				
Federal	257,378	-	257,378	1,183,547
Local	-	-	-	15,826
Water bank fees	33,317	-	33,317	354,042
Licensing fees	80,408	-	80,408	68,957
Other	195,329	-	195,329	114,115
Total revenues	24,141,641	1,843	24,143,484	24,729,710
Expenditures				
Public works				
Current operations	21,683,867	530	21,684,397	21,099,548
Capital outlays	945,714	-	945,714	1,939,210
Debt service:				
Principal	405,142	-	405,142	395,692
Interest	45,261	-	45,261	51,313
Total expenditures	23,079,984	530	23,080,514	23,485,763
Excess (deficiency) of revenues over expenditures	1,061,657	1,313	1,062,970	1,243,947
Other Finance Sources (Uses)				
Equipment disposition proceeds	128,478	-	128,478	102,779
Operating transfers in (out)	(938,129)	938,129	-	-
Total other financing sources (uses)	(809,651)	938,129	128,478	102,779
Change in fund balances	252,006	939,442	1,191,448	1,346,726
Fund balances, beginning of year	19,208,302	7,348,396	26,556,698	25,209,972
Fund balances, end of year	\$ 19,460,308	8,287,838	27,748,146	\$ 26,556,698

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	General	Special Revenue	Governmental Funds
Revenues			
Ad valorem assessments	\$ 19,075,444	-	\$ 19,075,444
Ad valorem interest	249,929	-	249,929
Water service assessments	2,299,642	-	2,299,642
Investment income	312,809	1,490	314,299
Contracts with governmental entities			
Federal	721,844	-	721,844
Local	332,065	-	332,065
Operating and capital grants			
Federal	1,183,547	-	1,183,547
Local	15,826	-	15,826
Water bank leases	354,042	-	354,042
Licensing fees	68,957	-	68,957
Other	114,115	-	114,115
Total revenues	24,728,220	1,490	24,729,710
Expenditures			
Public works			
Current operations	21,099,426	122	21,099,548
Capital outlays	1,939,210	-	1,939,210
Debt service:			
Principal	395,692	-	395,692
Interest	51,313	-	51,313
Total expenditures	23,485,641	122	23,485,763
Excess of revenues over expenditures	1,242,579	1,368	1,243,947
Other Finance Sources (Uses)			
Equipment disposition proceeds	102,779	-	102,779
Operating transfer in (out)	483,949	(483,949)	-
Total other financing sources (uses)	586,728	(483,949)	102,779
Change in fund balances	1,829,307	(482,581)	1,346,726
Fund balances, beginning of year	17,378,995	7,830,977	25,209,972
Fund balances, end of year	\$ 19,208,302	7,348,396	\$ 26,556,698

The Notes to 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 –
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Increase (decrease) in fund balances (statements of revenues, expenditures and changes in fund balances)	\$ 1,191,448	\$ 1,346,726
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	945,714	1,939,210
Internal costs capitalized	357,760	214,377
Governmental funds do not report depreciation expense which is recorded in the statements of activities.	(1,904,851)	(1,803,853)
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)
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.	(162,462)	(805,611)
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	77,987	(178,027)
Change in settlement payable	14,279	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.		
Principal repaid	405,142	395,692
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	920,021	893,143
Pension expense	(909,932)	(3,156,031)
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.	2,810,537	(267,768)
Increase (decrease) in net position (statements of activities)	\$ 3,745,643	\$ (1,060,210)

The Notes to 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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 18,943,124	18,943,124	19,792,819	\$ 849,695
Ad valorem interest	232,500	232,500	262,962	30,462
Water service charges	2,287,325	2,287,325	2,446,634	159,309
Water bank fees	395,000	395,000	33,317	(361,683)
Licensing fees	67,750	67,750	80,408	12,658
Interest on investments	250,000	250,000	39,038	(210,962)
Federal contracts	761,843	761,843	730,878	(30,965)
Local contracts	302,550	302,550	302,878	328
Operating and capital grants	927,900	927,900	257,378	(670,522)
Equipment disposition proceeds	25,500	25,500	128,478	102,978
Other	84,600	84,600	195,329	110,729
Total revenues	<u>24,278,092</u>	<u>24,278,092</u>	<u>24,270,119</u>	<u>(7,973)</u>
Expenditures				
Salaries	9,760,092	9,731,965	9,660,264	71,701
Employee benefits	4,042,632	4,051,104	3,914,488	136,616
Employee & board related costs	758,815	675,734	585,791	89,943
General & administrative expenses	251,025	457,297	425,557	31,740
Professional services	468,170	426,898	409,658	17,240
Insurance & legal services	1,114,000	1,082,531	1,075,729	6,802
Technology & communication	673,833	552,344	537,779	14,565
Ad valorem collection fee	379,300	416,294	415,896	398
Utilities	111,166	171,020	152,759	18,261
Facility maintenance	29,730	55,163	53,686	1,477
Division maintenance, const., rehab	951,475	1,173,844	1,122,560	51,284
Vehicle & equipment O&M	1,357,375	1,480,995	1,439,124	41,871
Federal O&M services	912,237	921,865	921,768	97
Governmental agreements & projects	190,200	400,084	408,864	(8,780)
Projects	415,000	202,297	191,854	10,443
Endangered species act projects	150,000	183,000	178,156	4,844
Operating and capital grants				
Wages	50,901	57,203	60,566	(3,363)
Fringes	22,180	15,877	13,542	2,335
Other grant expenditures	870,214	850,640	161,000	689,640
Debt service:				
Principal retirement	405,079	405,142	405,142	-
Interest	44,580	45,261	45,261	-
Capital outlay	1,320,088	921,534	906,860	14,674
Total expenditures	<u>24,278,092</u>	<u>24,278,092</u>	<u>23,086,304</u>	<u>1,191,788</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>1,183,815</u>	<u>\$ 1,183,815</u>
Reconciliation to change in fund balance - GAAP basis				
Change in encumbrances			6,320	
Transfers not budgeted			(938,129)	
Change in fund balance - GAAP basis			<u>\$ 252,006</u>	

The Notes to 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 charges	2,285,825	2,285,825	2,299,642	13,817
Water bank fees	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			<u>\$ 1,829,307</u>	

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

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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.

Reporting Entity

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

Government-wide and Fund Financial Statements

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

The statements 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 statements 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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 or 2020. There are no non-major funds.

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

Fund Accounting

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

- ***General Fund*** —This fund is the operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 funds 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. Intergovernmental and 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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's investment pool, which includes the local government investment pool (LGIP). The State Treasurer's Pool operates in accordance with appropriate state laws and regulations.

Accounts Receivable

The District recognizes receivables on ad valorem assessments and water service delinquency charges that have been levied but have not been collected, net of an allowance for uncollectible amounts. Governmental contracts and grants receivable consist of contractual rights to receive money. Interest receivable represents interest earned on cash and cash equivalents and investments not received by year end. Other receivables include water meter deposits receivable and other miscellaneous receivables.

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 \$6,260 and \$13,640 at June 30, 2021 and 2020.

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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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

Buildings and improvements	5-50 years
Office furniture and equipment	5-10 years
Computer software	5-10 years
Engineering equipment	5-10 years
Communication equipment	10 years
Motor vehicles and trailers	6-10 years
Weed and pest control equipment	5-15 years
Heavy field equipment	15 years
Shop and field equipment	10-15 years
Infrastructure	20-50 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, 2021 and 2020, accrued vested annual leave totaled \$702,538 and \$727,463, respectively.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (Continued)

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, 2021 and 2020, accrued vested sick leave totaled \$383,137 and \$427,759 respectively.

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2021 and 2020, accrued vested compensatory leave totaled \$27,545 and \$35,472, respectively. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year. At June 30, 2021 and 2020, accrued vested holiday leave totaled \$31,053 and \$30,452, respectively.

Additionally, in the year ended June 30, 2021 and 2020, the District has accrued a liability of \$16,592 and \$17,706, 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.

Pensions

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (Continued)

Other Postemployment Benefits

As further described in Note 13 to the financial statements, the District provides postemployment benefits (“OPEB”) to qualifying employees upon their retirement.

Deferred Compensation Plan

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pensions and OPEB in this category. In the fund financial statements, revenues earned but not collected soon enough after year end to pay current year expenditures are reported as deferred inflows of resources.

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. In the year ended June 30, 2021, the District paid one claim resulting from these risks for \$125,000 in excess of commercial insurance coverage. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage during the years ended June 30, 2020 or 2019. The District has not had any significant reductions in insurance coverage from coverage in the prior year.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

The District reports fund balances in the following categories:

- Non-spendable — amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted — amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed — amounts that can only be used for specific purposes pursuant to formal action imposed by the Board of Directors, the District's highest decision-making authority.
- Assigned — amounts that are intended to be used for specific purposes but are neither restricted nor committed. Management of the District is authorized to assign fund balances that the District intends to use for specific purposes.
- 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.. 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 debt agreements.

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

The fund balance classifications of the governmental funds as of June 30, 2021, were as follows:

	General Fund	Special Revenue Fund
	<hr/>	<hr/>
Fund balances:		
Nonspendable:		
Inventories	\$ 917,834	\$ -
Prepaid expenses	6,260	-
Total nonspendable	<hr/> 924,094	<hr/> -
Restricted for:		
Cash and equivalents held by NMFA for debt service, debt service reserves and project fund	<hr/> 434,523	<hr/> -
Total restricted	434,523	-
Committed to:		
Investments designated for equipment purchases (designated through board resolution)	2,406,933	-
Investments designated for future levee projects (designated through board resolution)	-	1,061,271
Endowment and capital reserve fund	-	7,226,567
Total committed	<hr/> 2,406,933	<hr/> 8,287,838
Assigned to:		
Amount needed to balance subsequent years budget	2,089,376	-
1/12 of 2022 budget	2,011,924	-
2021 encumbered funds	1,009,700	-
Total assigned	<hr/> 5,111,000	<hr/> -
Unassigned	10,583,758	-
Total fund balances	<hr/> \$ 19,460,308	<hr/> \$ 8,287,838

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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	<u>966,695</u>	<u>-</u>
Restricted for:		
Cash and equivalents held by NMFA	436,061	-
Total restricted	<u>436,061</u>	<u>-</u>
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	<u>492,511</u>	<u>7,348,396</u>
Assigned to:		
1/12 of 2021 budget	2,011,924	-
2020 encumbered funds	1,003,380	-
Total assigned	<u>3,015,304</u>	<u>-</u>
Unassigned	<u>14,297,731</u>	<u>-</u>
Total fund balances	<u>\$ 19,208,302</u>	<u>\$ 7,348,396</u>

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Net investment in Capital 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. Restricted net position consists of cash and cash equivalents held with NMFA and restricted by debt agreements. There were no amounts restricted by enabling legislation at June 30, 2021 or 2020.

Unrestricted Net Position

Reflects the component of net position not restricted for any project or other purpose.

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.

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 2020 financial statements have been reclassified to conform to the presentation of the 2021 financial statements.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

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 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.

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.

For the year ended June 30, 2021 budgeted revenues were equal to budgeted expenditures. For the year ended June 30, 2020 general fund budgeted revenues exceeded budgeted expenditures by \$1,059,615. Actual expenditures did not exceed budgeted expenditures and the District did not report any deficit fund balances or net position at June 30, 2021 or 2020.

Deficit Fund Balance and Net Position

The District did not report any deficit fund balances or net position at June 30, 2021 or 2020.

NOTE 4. CASH AND CASH EQUIVALENTS

Deposits of funds may be made in interest bearing or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance for accounts held by the District.

Custodial credit risk is the risk that in the event of bank failure the District's deposits 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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents consists of the following:

	June 30, 2021	
	Reconciled Balance	Wells Fargo Bank NM,
Amount of deposits	\$ 1,282,503	\$ 1,411,271
Petty cash	900	-
FDIC Coverage		(1,000,000)
Total uninsured public funds		411,271
Collateral requirement (50%)		205,636
Collateralized by securities held by the pledging institutions or by its trust department or agent in other than the District's name		557,235
Over collateralized		\$ 351,599
	June 30, 2020	
	Reconciled Balance	Wells Fargo Bank NM,
Amount of deposits	\$ 1,317,365	\$ 1,707,460
Petty cash	900	-
FDIC Coverage		(1,000,000)
Total uninsured public funds		707,460
Collateral requirement (50%)		353,730
Collateralized by securities held by the pledging institutions or by its trust department or agent in other than the District's name		313,491
Under collateralized		\$ (40,239)

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4. CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted Cash and Cash Equivalents

The District has entered into a loan agreement with the New Mexico Finance Authority (NMFA). As required by 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 \$434,523 and \$436,061 at June 30, 2021 and 2020, 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 \$37,312 and \$37,063 at June 30, 2021 and 2020, respectively.
- Debt service account – Represents funds accumulated to pay principal and interest as they become due. Balances totaled \$111,164 and \$116,487 at June 30, 2021 and 2020, 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 \$286,047 and \$282,511 at June 30, 2021 and 2020, respectively.

Deposit insurance and pledging requirements remain the responsibility of NMFA

NOTE 5. INVESTMENTS

The District invests in the New Mexico State Treasurer's Local Government Investment Pool (LGIP) as authorized by State Statute. Participation in the LGIP is voluntary. The District's investment policy does not formally address investment interest rate and credit risks.

With respect to LGIP, public funds are not required to disclose custodial credit risk or concentration risk for external investment pools. However, the LGIP portfolio is posted on the State Treasurer's website www.nmsto.gov and available for review by participants at any time. The LGIP has no foreign currency risk as all investments in the pool are denominated in US dollars.

Interest Rate Risk. Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The acceptable method for reporting interest rate risk is weighted average maturity (WAM). The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's website www.nmsto.gov. The LGIP is rated by Standard & Poor's. The District's investment in the LGIP at year end consists of the following:

June 30, 2021

LGIP	AAAM rated	\$	25,658,908	48 day WAM(R); 78 day WAM(F)
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June 30, 2020

LGIP	AAAM rated	\$	24,401,304	25 day WAM(R); 77 day WAM(F)
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**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5. 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 \$10,047 and \$113,707 during the years ended June 30, 2021 and 2020, respectively. The total interest earned in the Pool was \$37,065 and \$312,809 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6. ACCRUED PAYABLE TO LOCAL GOVERNMENTS

In 2007 as part of a design and construction project of improvements to the Albuquerque west levee, the District 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 stated, at such time as the District is reimbursed by the federal government for the federal share of the project cost, AMAFCA and the County will receive a pro rata share of the reimbursement. In FY 2020, in lieu of receiving their full pro-rata share of the federal reimbursement, both AMAFCA and the County agreed to allow MRGCD to hold certain amounts due to each entity with a combined total of \$484,391 for use in future levee projects. Amounts are held with LGIP and any interest earned is added to the amounts due to each entity. The combined liability totaling \$484,990 and \$484,391 in the years ended June 30, 2021 and 2020, respectively, is included in the accompanying statements of net position and balance sheets as accrued payable to local governments and is being held in the special revenue fund.

NOTE 7. 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, 2021 and 2020, 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 years ended June 30, 2021 and 2020, ad valorem assessments receivable were \$2,608,488 and \$2,546,094 net of allowances of \$186,217 and \$174,335 and water service assessments receivable were \$575,227 and \$657,307 net of allowances of \$332,475 and \$382,639, respectively.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7. WATER SERVICE AND AD VALOREM ASSESSMENTS (CONTINUED)

In the government-wide financial statements, water service and ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers. In the fund financial statements, water service assessments collected by the District and ad valorem assessments remitted by the county assessors to the District within thirty days following year end are recorded as revenue; all water service and ad valorem assessments not collected or remitted within thirty days following year end are reported as deferred inflows of resources.

For the year ended June 30, 2021, water service charge assessments were assessed and levied at a uniform rate per acre of \$43.82 based on acreage approximating 52,832. Ad valorem assessments were assessed and levied at a rate of \$5.06 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.

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 8. 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:

	<u>2021</u>	<u>2020</u>
Earned but not available:		
Ad valorem assessments	\$ 1,768,913	\$ 1,859,796
Water service and delinquency charges	194,267	225,085
Bureau of Indian Affairs operations and maintenance contracts for pueblo lands	-	60,154
Customer promissory notes	23,934	4,541
	<u>\$ 1,987,114</u>	<u>\$ 2,149,576</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Capital Assets					
Non-depreciating:					
Land	\$ 484,882	-	-	-	\$ 484,882
Construction in progress	6,015,590	322,592	-	(1,200,166)	5,138,016
Depreciating:					
Buildings and improvements	3,840,467	148,850	-	988,053	4,977,370
Office furniture and equipment	783,135	72,796	6,652	-	849,279
Computer software	640,376	125,338	-	-	765,714
Engineering equipment	113,645	23,120	-	10,795	147,560
Communication equipment	10,795	-	-	(10,795)	-
Motor vehicles and trailers	7,043,939	-	236,734	-	6,807,205
Weed and pest control equipment	440,407	51,103	21,170	-	470,340
Heavy field equipment	14,625,199	201,915	373,726	-	14,453,388
Shop and field equipment	209,567	-	-	-	209,567
Infrastructure	16,171,949	357,760	-	212,113	16,741,822
Total capital assets	50,379,951	1,303,474	638,282	-	51,045,143
Less accumulated depreciation:					
Buildings and improvements	1,992,440	121,990	-	-	2,114,430
Office furniture and equipment	476,217	47,899	6,652	-	517,464
Computer software	429,514	50,382	-	-	479,896
Engineering equipment	64,488	3,544	-	10,795	78,827
Communication equipment	10,795	-	-	(10,795)	-
Motor vehicles and trailers	5,762,576	359,331	236,734	-	5,885,173
Weed and pest control equipment	380,316	11,508	21,170	-	370,654
Heavy field equipment	7,300,656	821,494	373,726	-	7,748,424
Shop and field equipment	171,896	6,865	-	-	178,761
Infrastructure	5,037,278	481,838	-	-	5,519,116
Total accumulated depreciation	21,626,176	1,904,851	638,282	-	22,892,745
Total capital assets	\$ 28,753,775	(601,377)	-	-	\$ 28,152,398

Depreciation expense totaled \$1,904,851 for the year ended June 30, 2021 and has been charged to the public works function.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9. CAPITAL ASSETS (CONTINUED)

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-deprecating:				
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

Depreciation expense totaled \$1,803,853 for the year ended June 30, 2020 and has been charged to the public works function.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10. SETTLEMENT PAYABLE

The settlement payable liability recorded in the government-wide statement of net position 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 net position of \$2,025,070 and \$2,039,349 for the years ended June 30, 2021 and 2020, respectively. Because the full amount is not required to be paid until October 2026, the liability has been reported as non-current.

NOTE 11. 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.

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.

Changes in long-term debt for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Notes from direct borrowings	\$ 2,127,791	-	405,142	1,722,649	\$ 415,339

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11. LONG-TERM LIABILITIES (CONTINUED)

Long-Term Debt (Continued)

The annual debt service requirements on long-term debt outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	214,049	21,224	235,273
2027-2031	471,643	22,345	493,988
2032-2033	15,567	58	15,625
Totals	<u>\$ 1,722,649</u>	<u>193,297</u>	<u>\$ 1,915,946</u>

Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2021:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Compensated absences payable				
Payable within one year	\$ 453,353	1,547,133	1,457,592	\$ 542,894
Payable after one year	785,499	1,794,596	1,962,124	617,971
	<u>\$ 1,238,852</u>	<u>3,341,729</u>	<u>3,419,716</u>	<u>\$ 1,160,865</u>

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
	<u>\$ 1,060,825</u>	<u>3,252,194</u>	<u>3,074,167</u>	<u>\$ 1,238,852</u>

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

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. 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%.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. 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% and effective July 1, 2014 employer contributions were raised .05%. 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 in PERA's Annual Comprehensive Financial Report (ACFR) 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 \$920,021 and \$893,143 and employer paid member benefits that were "picked up" by the employer were \$929,637 and \$916,498 for the years ended June 30, 2021 and 2020, respectively. See PERA's annual comprehensive 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, 2021, the District reported a liability of \$19,603,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2020 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2020. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2020. 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, 2020, the District's proportion was 0.99694%, which was a decrease of 0.0136% from its proportion measured as of June 30, 2019.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. PERA PENSION PLAN (CONTINUED)

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 a decrease of 0.0009% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2021, the District recognized pension expense of \$909,932. At June 30, 2021, 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	\$ 543,259	\$ -
Net difference between projected and actual earnings on pension plan investments	3,584,887	-
Changes of assumptions	362,704	-
Changes in proportion and differences between contributions and proportionate share of contributions	207,942	162,577
Employer contributions subsequent to the measurement date	920,021	-
Total	<u>\$ 5,618,813</u>	<u>\$ 162,577</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. PERA PENSION PLAN (CONTINUED)

\$920,021 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, 2021. 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	\$ 1,483,546
2022	1,175,435
2023	997,616
2024	879,618
	<u>\$ 4,536,215</u>

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	<u>\$ 3,149,346</u>	<u>\$ 289,964</u>

\$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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. PERA PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2019
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 expense
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, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2020. These assumptions were adopted by the Board use in the June 30, 2019 actuarial valuation.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. 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	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets to include Real Estate Equity	20.00%	6.00%
Multi-risk allocation	10.00%	6.40%
Total	100.00%	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2020. 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 periods 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:

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MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. 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 at June 30, 2021	<u>\$ 28,067,072</u>	<u>19,603,472</u>	<u>\$ 12,585,443</u>
Net Pension Liability at June 30, 2020	<u>\$ 25,736,744</u>	<u>17,016,707</u>	<u>\$ 9,802,046</u>

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, 2021 and 2020, the District had no significant outstanding contributions to the pension plan and therefore, had no related payables.

NOTE 13. 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.

Changes Since Prior Valuation

Active employees who are currently in the 80/80 Plan where the District reimburses 80% of retiree and spouse premium rates until each person turns 65 are now stratified into the following new plans. For detailed benefit provisions for the new plans, refer to the Benefits Provided section below. This change caused a significant reduction in the District's liability.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes Since Prior Valuation (Continued)

1. 80/40 Plan – applicable to active employees with at least 10 years of District service as of July 1, 2021
2. 70/30 Plan – applicable to active employees with less than 10 years of District service as of July 1, 2021
3. 50/25 Plan – applicable to active employees hired on/after July 1, 2021 Benefits Provided

Eligibility Requirements

Employees are eligible for the post-employment health benefit noted below once they are eligible to retire. Retirement is defined as meeting the retirement eligibility requirements under the Public Employees Retirement Association (PERA) of New Mexico and having at least 10 years of service with the District.

Retirement eligibility requirements under PERA of New Mexico varies by membership tier (Tier 1 or Tier 2) as described below.:

Tier 1

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.

Tier 2

Earlier of (a) age 65 with 8 years of service or (b) 85 points (sum of age and service) and 8 years of service

Benefits Provided

All existing retirees are currently in the 80/80 Plan where the District reimburses 80% of retiree and spouse premium rates until each person turns 65.

Active employees with at least 10 years of District service as of July 1, 2021 are in the 80/40 Plan where the District reimburses 80% of retiree and 40% of spouse premium rates until the retiree turns 65.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided (Continued)

Active employees with less than 10 years of District service as of July 1, 2021 are in the 70/30 Plan where the maximum District reimbursement is 70% of retiree and 30% of spouse premium rates until the retiree turns 65. The maximum District reimbursement will be adjusted by the following modifier.

Years of Service	% of Max Subsidy Contributed	Years of Service	% of Max Subsidy Contributed
10	25%	18	65%
11	30%	19	70%
12	35%	20	75%
13	40%	21	80%
14	45%	22	85%
15	50%	23	90%
16	55%	24	95%
17	60%	25+	100%

Active employees hired on/after July 1, 2021 will be in the 50/25 Plan where the maximum District reimbursement is 50% of retiree and 25% of spouse premium rates until the retiree turns 65. The maximum District reimbursement will be adjusted by the same modifier shown in the above table

Funding Policy

Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2021 and 2020, the District contributed \$212,433 and \$233,789 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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Membership

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

	<u>2021</u>	<u>2020</u>
Inactive employees or beneficiaries		
currently receiving benefits	20	20
Inactive employees entitled to but		
not yet receiving benefits	-	-
Active employees	<u>209</u>	<u>198</u>
Total membership	<u><u>229</u></u>	<u><u>218</u></u>

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 for the fiscal year ended June 30, 2021 are as follows:

Inflation	2.50%
Salary increases	3.25%
Discount rate:	
Prior measurement	2.21%
Measurement date	2.16%
Mortality table	Pub-2010 General Employees / Retirees Headcount-Weighted Mortality Table projected fully generationally using MP-2020 mortality improvement scale
Health care cost trends:	
Medical	5.70% from 2020 to 2021, decreasing gradually to an ultimate rate of 4.04% by 2075

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. The rates are assumed to be 100% at age 65 as the benefit terminates at age 65.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Changes in the discount and health care cost trend rates affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce a higher TOL whereas lower trend rates produce a lower TOL. The converse is true for higher discount rates and trend rates. Because discount rate and trend rates do not affect the measurement of assets, the percentage change in the NOL can be very significant for a relatively small change in either rates. The table below shows the sensitivity of the NOL to the discount rate and healthcare cost trend rates:

	1% Decrease (3.16%)	Current Discount Rate (2.16%)	1% Increase (1.16%)
Healthcare Cost Trend			
1% Decrease		\$ 7,118,536	
Current	\$ 7,436,152	\$ 8,040,326	\$ 9,345,478
1% Increase		\$ 9,795,748	

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

	2021	2020
Beginning balance	\$ 10,039,600	\$ 8,276,029
Changes for the year:		
Service cost	549,079	385,106
Interest	231,675	299,938
Changes in benefits	(3,300,000)	-
Difference between expected and actual experience	(391,751)	(94,039)
Changes of assumptions or other inputs	1,124,156	1,406,355
Benefit payments	(212,433)	(233,789)
Net changes	(1,999,274)	1,763,571
Ending balance	\$ 8,040,326	\$ 10,039,600

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2021, 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	\$ -	\$ 773,413
Changes of assumptions or other inputs	1,968,101	884,511
Total	<u>\$ 1,968,101</u>	<u>\$ 1,657,924</u>

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,	
2022	\$ (78,858)
2023	(78,858)
2024	7,395
2025	63,771
2026	292,102
Thereafter	104,625
	<u>\$ 310,177</u>

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	<u>\$ 1,205,447</u>	<u>\$ 1,706,533</u>

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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020 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.

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:

	2021	2020
Service cost at end of year	\$ 549,079	\$ 385,106
Interest on total OPEB liability and service cost	231,675	299,938
Current period benefit changes	(3,300,000)	
Current period recognition of deferred inflows and outflows of resources:		
Difference between expected and actual experience in the total OPEB liability	(162,011)	(106,046)
Changes of assumptions or other inputs	83,153	(77,441)
OPEB expense	<u><u>\$ (2,598,104)</u></u>	<u><u>\$ 501,557</u></u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14. 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 nor is it a jeopardy opinion meaning that as long as the action agencies are making meaningful progress on commitments and population metrics are met or exceeded, take is avoided and re-consultation is not required.

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 2020 shows the October silvery minnow numbers at 0.3 CPUE, that falls within the minimum required metric.

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 has provided all necessary documentation and other actions needed by the US for Phase 1 title transfer (all facilities and related lands south of Isleta Pueblo boundary and a small section of levee and drain north of Isleta Pueblo) 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. The District and the US accomplished this transfer in November 2021 as further described in the subsequent event Note 20. Phase 2 will be pursued in 2022 that will include all facilities and associated lands north of Isleta Pueblo.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14. CONTINGENCIES (CONTINUED)

Current Litigation/Claims

In June 6, 2021, the Wildearth Guardians ("plaintiff") provided a Notice of Intent (NOI) to sue against the United States Bureau of Reclamation and the United States Fish and Wildlife Service seeking to find "new solutions" to ecosystem and discussions between all the BO parties is on-going to seek means to advance BO commitments in a more rapid fashion.

Under the Isleta Dam Settlement, the District's financial contributions to this Settlement continues to provide a total of \$2.5 million during a ten-year period ending in fiscal year 2027 to help resolve sedimentation and fish passage at Isleta Diversion Dam. Some funds have been expended in FY21 to address modeling and pre-design work with the majority of the funds reserved for construction work planning in FY22 and FY23. 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.

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 was dismissed in FY2021.

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.

In March 2021 a plaintiff filed on behalf of his minor son a complaint for personal injury against the MRGCD and Bernalillo County related to an accident involving a private motor vehicle and a private dirt bike. Plaintiff alleges negligence claims against the MRGCD related to road maintenance. The District denies any wrongdoing and is vigorously defending the case.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15. 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 been officially authorized in the WRDA 2020 Corps of Engineers funding bill and the District is working with the state to set up a levee reserve fund to help cover the 35% cost-share requirements.

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. The District is working with the City of Socorro and the Corps to get this finalized.

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 in the WRDA 2020 bill and they are actively seeking cost-share sponsors.

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. The project will provide funding for the construction of the proposed project along the District's Belen Highline Canal in southern Valencia County. The District received a grant award and issued an RFP in December 2020. Upon receipt of the award-winning proposal, costs exceeded the award amount. The District submitted an additional funding request and is waiting for approval from the Federal government.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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NOTE 15. 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 \$1,009,700 and \$1,003,380 at June 30, 2021 and 2020, respectively, are included in assigned fund balances in the accompanying balance sheets.

NOTE 16. 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 3-45, 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, 2021 is as follows:

Abating Agency	Recipients of the Abatement	Real Property Taxes Abated
Bernalillo County	Catholic Charities project	\$ 6,443
	Friedman Recycling project	3,196
	Hotel Chaco project	27,545
	Lease Agreement between Bernalillo County and Silver Moon Lodge, LLLP	13,011
	GAHP Project IRB (Sterling Downtown)	8,525
	Lease Agreement between Bernalillo County and UR Silver LLC	11,147
	Los Poblanos project (dated 3/1/2016)	16,982
	One Central Parking project	24,153
	Rio Bravo Brewing project (dated 2/1/2016)	1,848
	Sawmill Bellamah Properties, LLC	2,630
	US Foodservice, Inc. project	22,965
		<u>\$ 138,445</u>

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 16. TAX ABATEMENT DISCLOSURES (CONTINUED)

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

<u>Abating Agency</u>	<u>Recipients of the Abatement</u>	<u>Real Property Taxes Abated</u>
Bernalillo County	Friedman Recycling project	\$ 3,198
	Hotel Chaco project	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 project	793
	Rio Bravo Brewing	1,849
	Sawmill Bellamah Properties, LLC	2,630
	US Foodservice, Inc. project	23,338
		<u>\$ 110,369</u>

NOTE 17. INTERFUND TRANSFERS

Interfund transfers totaling \$938,129 from the general fund to the special revenue fund were made in the year ended June 30, 2021 for the purpose of correcting the cash transfer of the Water Bank Funds completed in FY2020. In the year ended June 30, 2020, interfund transfers totaling \$483,949 were made from the special revenue fund to the general fund for the purpose of moving the cash previously held at Bank of America to the State General Fund and the Endowment fund.

NOTE 18. RISKS AND UNCERTAINTIES

The COVID-19 pandemic has developed rapidly since being declared a global pandemic on March 11, 2020. Measures taken by various governments to contain the virus have affected economic activity in various ways. Government assistance measures have been implemented in order to mitigate some of the impact of the COVID-19 pandemic. The eligibility requirements and the duration of availability are continuing to evolve and remain subject to uncertainty. The District will continue to assess the implications of the pandemic on their operations.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 19. RECENT GASB PRONOUNCEMENTS

The District evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2021:

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 (amended to December 15, 2019) (FY 2021). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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. 61*. The requirements of this statement are effective for periods beginning after December 15, 2018 (amended to December 15, 2019) (FY 2021). The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This statement is not applicable to the District.

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 elements of this statement that are effective immediately are not applicable to the District.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 19. RECENT GASB PRONOUNCEMENTS (CONTINUED)

The following statements 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 (amended to June 15, 2021) (FY 2022). Early adoption is allowed. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is still evaluating how this statement will affect future financial statements.

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 (amended to December 15, 2020) (FY 2022). Early adoption is allowed. The objective of this statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. The District will continue to evaluate in subsequent years but does not anticipate that this statement 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 (amended to December 15, 2021) (FY 2023). Early adoption is allowed. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District will continue to evaluate in subsequent years but does not anticipate that this statement will affect future financial statements.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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JUNE 30, 2021 AND 2020**

NOTE 19. RECENT GASB PRONOUNCEMENTS (CONTINUED)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Except for provisions effective immediately as noted below, the requirements of this statement are effective for reporting periods beginning after June 15, 2020 (amended to June 15, 2021)(FY 2022). Early adoption is allowed. The objective of this statement is to address a variety of topics, including: (1) Reporting of intra-District transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (2) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (3) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (4) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (5) Reporting by public District risk pools for amounts that are recoverable from reinsurers or excess insurers, effective upon issuance of statement. (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments, effective upon issuance of statement. The District has evaluated the provisions with immediate effective dates and has determined they are not applicable. The District will continue to evaluate remaining provisions in subsequent years but does not anticipate that this statement will affect future financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. 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 (amended to June 15, 2021) (FY 2022). Early adoption is allowed. 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 District will continue to evaluate in subsequent years but does not anticipate that this statement 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 June 15, 2022 (FY 2023). Early adoption is allowed. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership (PPP) arrangements and for availability payment arrangements (APAs). The District will continue to evaluate in subsequent years but does not anticipate that this statement will affect future financial statements.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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JUNE 30, 2021 AND 2020**

NOTE 19. 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). Early adoption is allowed. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District will continue to evaluate in subsequent years but does not anticipate that this statement 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 are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). Early adoption is allowed. The District is still evaluating how this statement will affect future financial statements.

NOTE 20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 10, 2021, the date which the financial statements were available to be issued, and has identified the following event for disclosure.

The United States through the Department of Interior, Bureau of Reclamation transferred title to the Middle Rio Grande Conservancy District the portion of the District's benefited area south of the Pueblo of Isleta to the northern boundary of the Bosque Del Apache in a special meeting of the Board of Directors on November 8, 2021. The District granted an assignment of the title to all project works to the United States pursuant to the September 24, 1951 Contract. The 1951 Contract provided that the United States retain the assignment to the title until the District met its repayment obligations. The District completed all repayment obligations to the United States under the 1951 Contract on December 13, 1999 and the District has had operation and maintenance responsibilities for all reserved works since the 1970's. GASB 34 was implemented in 2003 with the assumption that the District continued to have title to the infrastructure. However, since the infrastructure was constructed or acquired prior to July 1, 1980, the District was not required to record the lands at historical value. The District does not plan to add infrastructure at fair market value as a result of the title transfer in fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA PLAN) – MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	June 30:						
Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Measurement Date	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.9694%	0.9830%	0.9839%	0.9167%	0.9355%	0.9641%	0.9750%
District's proportionate share of the net pension liability	\$ 19,603,472	17,016,707	15,687,008	12,596,234	14,946,142	9,829,835	\$ 7,606,046
District's covered payroll	9,352,383	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	209.61%	196.68%	188.88%	156.44%	186.16%	122.43%	94.74%
Plan fiduciary net position as a percentage of the total pension liability	66.36%	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 PLAN - MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	June 30:						
	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 920,021	893,143	826,103	793,135	768,886	766,736	\$ 766,746
Contributions in relation to the contractually required employer contribution	920,021	893,143	826,103	793,135	768,886	766,736	766,746
Contribution excess	-	-	-	-	-	-	-
District's covered payroll	9,387,972	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	9.80%	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.

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY
LAST 10 FISCAL YEARS***

Fiscal Year Ended June 30:	June 30:				
	2021	2020	2019	2018	2017
Service cost	\$ 549,079	385,106	446,136	429,225	\$ 496,774
Interest on TOL and service cost	231,675	299,938	369,767	316,992	258,276
Changes of benefit terms	(3,300,000)	-	-	-	-
Difference between expected and actual experience	(391,751)	(94,039)	(648,293)	-	-
Changes of assumptions or other inputs	1,124,156	1,406,355	(886,574)	(295,116)	(800,395)
Benefit payments	(212,433)	(233,789)	(225,003)	(169,766)	(155,558)
Net change in total OPEB liability	(1,999,274)	1,763,571	(943,967)	281,335	(200,903)
Total OPEB liability - beginning	10,039,600	8,276,029	9,219,996	8,938,661	9,139,564
Total OPEB liability - ending	8,040,326	10,039,600	8,276,029	9,219,996	8,938,661
Covered-employee payroll	9,645,902	9,376,340	8,830,062	8,460,665	8,316,934
Total OPEB liability as a percentage of covered-employee payroll	83.35%	107.07%	93.73%	108.97%	107.48%

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Last 10 Fiscal Years*

	June 30:				
	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ 212,433	233,789	225,003	169,766	\$ 155,558
Contributions in relation to the contractually required employer contribution	212,433	233,789	225,003	169,766	155,558
Contribution excess (deficiency)	-	-	-	-	-
District's covered payroll	9,645,902	9,376,340	8,830,062	8,460,665	8,316,934
Contributions as a percentage of covered payroll	2.20%	2.49%	2.55%	2.01%	1.87%

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
RELATED TO PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB)
FOR THE YEAR ENDED JUNE 30, 2021**

PERA MUNICIPAL GENERAL DIVISION

Changes of Benefit Terms. The Public Employees Retirement Association (PERA) and Cost of Living Adjustment (COLA) and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's Annual Comprehensive Financial Report (ACFR) available at <http://saonm.org>.

Assumptions. The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2020 report is available at <http://www.nmpera.org/>.

OTHER POSTEMPLOYMENT BENEFIT MEDICAL PLAN

Changes of Benefit Terms. Active employees who are currently in the 80/80 Plan where the District reimburses 80% of retiree and spouse premium rates until each person turns 65 are now stratified into the following new plans as described in the notes to the financial statements. This change caused a significant reduction in the District's liability.

Assumptions. The calculations were based on an actuarial valuation as of June 30, 2020 using census data and recent health care cost information which was provided by the District.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH, INVESTMENTS AND PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2021**

Account Name	Type	Reconciled Balance	Wells Fargo Bank NM, NA
<i>Cash and cash equivalents</i>			
G/F Operating	Checking	\$ 1,280,167	\$ 1,408,818
G/F Basic Flex Plan	Checking	2,336	2,453
Petty cash / assessment drawer		900	-
<i>Restricted cash and cash equivalents</i>			
NMFA Debt Servicing***		111,164	-
NMFA Reserve Funds***		286,047	-
NMFA Program funds***		37,312	-
<i>Investments</i>			
NM LGIP - G/F Operating		14,479,231	-
NM LGIP - G/F Capital reserve fund		2,406,933	-
NM LGIP - SRF Endowment		7,226,509	-
NM LGIP - SRF Levee projects		1,061,271	-
NM LGIP - SRF AMAFCA future projects		406,787	-
NM LGIP - SRF Bernalillo County future projects		78,177	-
Total cash and cash equivalents and investments		<u><u>\$ 27,376,834</u></u>	
Total bank deposits			1,411,271
Less: FDIC coverage			<u>(1,000,000)</u>
Total uninsured public funds			411,271
50% collateral requirement (<i>Section 6-10-17 NMSA 1978</i>)			<u>205,636</u>
<i>Pledged Collateral:</i>			
FNMA	3138WGV35	2.50%	4/1/2031
			<u>557,235</u>
Amount over / (under) collateralized			<u><u>\$ 351,599</u></u>
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		\$	1,283,403
Restricted cash and cash equivalents			434,523
Investments in local government investment pool			<u>25,658,908</u>
Total cash and cash equivalents and investments		<u><u>\$</u></u>	<u><u>27,376,834</u></u>

**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	
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 Levee 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		<u><u>\$ 26,155,630</u></u>		
Total bank deposits			1,707,460	
Less: FDIC coverage			<u>(1,000,000)</u>	
Total uninsured public funds			707,460	
50% collateral requirement (<i>Section 6-10-17 NMSA 1978</i>)			<u>353,730</u>	
***NMFA is a governmental agency which must itself comply with state investment policies				
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				<u>313,491</u>
Amount over / (under) collateralized				<u><u>\$ (40,239)</u></u>
Collateral held by Bank of New York Mellon, NY, NY.				
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			<u>24,401,304</u>	
Total cash and cash equivalents and investments			<u><u>\$ 26,155,630</u></u>	

COMPLIANCE SECTION



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

**Independent Auditors' 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***

Brian S. Colón, Esq., New Mexico State Auditor
and

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico

And

The Board of Directors of the
State of New Mexico
Middle Rio Grande Conservancy District
Albuquerque, New Mexico

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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2021.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and responses other matters as required by Section 12-6-5 NMSA as item 2021-001.

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 10, 2021

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021**

SECTION 1 - 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

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None identified

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2021**

SECTION 4 – SECTION 12-6-5 NMSA FINDINGS

2021-001 Domicile to Duty Vehicle (Other Non-Compliance)

CONDITION

During our audit procedure over use of government-owned vehicles, we noted an exception in one out of the five employees tested. We tested reportable fringe benefit over domicile to duty and examined the pay stubs of the employees selected for testing, noting that one employee's pay stub did not include the taxable amount of the applicable fringe benefit as reportable wages.

CRITERIA

Pursuant to NMAC 1.5.3, IRS Publication 15-B and Publication 5137, which establishes that unless it is excludable as a qualified non-personal use vehicle, the personal use of a government-owned vehicle is a taxable fringe benefit.

CAUSE

The District failed to identify and correct the reportable taxable fringe benefit for one of their employees who was commuting using state owned vehicle in FY 21.

EFFECT

Failure of proper monitoring and review activities results in the District's non-compliance with the IRS guidelines related to fringe benefit valuation rules.

AUDITOR RECOMMENDATION

Management should ensure that established procedures and control system is operating effectively for proper and accurate reporting of fringe benefits.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District concurs with the finding. When the District made plans to limit exposure of the COVID-19 virus to employees, the District failed to identify that one of the employees was not being assessed imputed income. Once it was identified, the issue was immediately fixed and a new process for monitoring take home vehicles was implemented. The District expects this finding to be resolved in FY2022

ESTIMATED TIMELINE TO CORRECT

Fiscal year 2022

RESPONSIBLE OFFICIAL

CFO / Secretary / Treasurer

**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

PRIOR AUDIT FINANCIAL STATEMENT FINDINGS

2020-001	Deposits Undercollateralized (Other Non-compliance)	Resolved
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**STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2021**

EXIT CONFERENCE

An exit conference was held on December 10, 2021, to discuss the annual financial report. Attending were the following:

Middle Rio Grande Conservancy District:

Mike Hamman	Chief Executive Officer
Pamela Fanelli	CFO/Secretary Treasurer
Jason Casuga	Chief Operating Officer
Melin Villegas-Vargas	Accounting Manager
Karen Dunning	Director, Chairperson
Barbara Baca	Director

Ricci & Company, LLC:

Corrine Zajac-Clarkson, CPA	Audit Partner
Esther Alejo	Audit Supervisor

AUDITOR PREPARED FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the Middle Rio Grande Conservancy District. The financial statements and related footnotes remain the responsibility of management.