State of New Mexico

Middle Rio Grande Conservancy District

Financial Statements and Supplementary Information

For the Year Ended June 30, 2022

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Introductory Section

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Middle Rio Grande Conservancy District
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SUPPLEMENTARY INFORMATION

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State of New Mexico
Middle Rio Grande Conservancy District
Official Roster
June 30, 2022

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

Name	Division	Name	Division
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 Weaks	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.

State of New Mexico
Middle Rio Grande Conservancy District
Official Roster
June 30, 2022

BOARD OF DIRECTORS

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

OFFICERS

Jason Casuga	CEO/Chief Engineer
Pamela Fanelli	CFO/Secretary/Treasurer
Eric Zamora	Chief Operations Officer
Richard DeLoia	Chief Procurement Officer
Wiggins, Williams & Wiggins	General Counsel
Law & Resource Planning Associates	Chief Water Counsel

Financial Section

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CPAs and Advisors

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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget 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 the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund that has a legally adopted annual budget of the Middle Rio Grande Conservancy District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 comparisons for the general fund that has a legally adopted annual budget of the District, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Period Financial Statements

The financial statements of the District as of June 30, 2021, were audited by other auditors whose report dated December 10, 2021, expressed an unmodified opinion on those statements.

Emphasis of Matter

Change in Accounting Principle and Reclassifications

As described in Note 2 to the financial statements, the District implemented GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

In addition, there were reclassifications between accounts to accurately reflect the changes between fiscal years.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 25, the GASB required pension schedules on pages 96 through 99, the GASB required other postemployment benefit schedules on pages 100 through 103, and the notes to the required supplementary information on page 104 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquiries 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 expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and supporting schedules required by Section 2.2.2 NMAC, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and supporting schedules required by Section 2.2.2 NMAC, as identified in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other disclosures but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 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 solely 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 the effectiveness of the District's 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.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 15, 2022

State of New Mexico
Middle Rio Grande Conservancy District
Management's Discussion and Analysis
For the Year Ended June 30, 2022 and 2021

Management's Discussion and Analysis of the Middle Rio Grande Conservancy District's (the "District") Annual Financial Report presents a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022 and June 30, 2021. Additional information about the District and its mission can be found in Note 1.

The 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 2022, 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, 2022, 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 2022 to be billed in fiscal year 2023.

The District started the irrigation season with a small amount of San Juan Chama water in storage. The District anticipated a difficult irrigation season for a number of reasons. Once the construction of the El Vado Dam repairs started, the District did not have the ability to store water at El Vado Dam. In addition, the District is not allowed to store water in El Vado due to the accumulated Compact debt at the end of last season of about 127,000 acre-feet. Due to the size of the compact debt, the MRGCD committed to only divert 50% of the total inflows to the Middle Rio Grande for the duration of the spring runoff. Without the ability to store water, the District's irrigation depended on the amount of rain received during the monsoon season. The 2022 irrigation season was difficult but was helped by a bountiful monsoon season.

The District continues to seek funding to assist with water distribution efficiency improvements and to study the impact of drought conditions. The goal is to create irrigation systems and on-farm efficiencies to reduce the amount of water needed to and for use by farmers while continuing to meet their demand for agricultural production.

Major projects completed in fiscal year 2022 include a Peralta main canal project, and three outfall control structures. In early 2022, a sinkhole was discovered along the Corrales siphon on the east side of the Bosque. The siphon was built in the mid 1930's. It was determined that the damage was due to a failure in the wood stave portion of the pipe and the siphon was deemed inoperable. The District constructed a temporary solution by installing two 20 cfs diesel pumps to divert water for the 2022 irrigation season. A permanent solution has been identified and the District is seeking funding to build a new siphon. 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.

Like most employers across the country, the District experienced a high vacancy rate mostly coming from essential field positions. The District implemented a new compensation pay plan on April 4, 2022 that started the minimum hourly rate at $15 per hour and increase pay for every pay class and step. All employees received a pay increase in fiscal year 2022 for a total increase of about 6.03%.

State of New Mexico
Middle Rio Grande Conservancy District
Management's Discussion and Analysis
For the Year Ended June 30, 2022 and 2021

FINANCIAL HIGHLIGHTS

- The District's net position increased by $3.1 million from $31.1 million in fiscal year 2021 to $34.2 million in fiscal year 2022. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by $34.2 million (net position). As of June 30, 2022, unrestricted net position totaled $3.5 million.

- The District's long-term obligations excluding net pension and net OPEB liability increased by $834 thousand during the current fiscal year. Net pension liability and net OPEB liability decreased by $9.3 million.

- As of June 30, 2022, the District's governmental funds reported combined ending fund balances of $28.4 million. Of the total, $14.9 million is available for spending at the District's discretion (sum of unassigned and assigned fund balances).

- As of June 30, 2022, the fund balance of the General Fund was $20.1 million. Unassigned fund balance of the General Fund was $7.8 million.

OVERVIEW OF 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 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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because of the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Types of funds include general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of supplementary individual and combining schedules.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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.

	2022	2021 (As restated)	Variance
Assets and deferred outflows of resources			
Current and other assets	$ 32,115,318	$ 31,351,803	$ 763,515
Capital assets, net of accumulated depreciation	30,136,547	28,184,637	1,951,910
Deferred outflows	3,077,406	7,586,914	(4,509,508)
Total assets and deferred outflows of resources	$ 65,329,271	$ 67,123,354	$ (1,794,083)
Liabilities and deferred inflows of resources			
Current liabilities	$ 1,661,978	$ 1,616,543	$ 45,435
Long-term liabilities	4,073,946	4,940,823	(866,877)
Net pension liability and OPEB liability	18,330,020	27,643,798	(9,313,778)
Deferred inflows	7,044,520	1,820,501	5,224,019
Total liabilities and deferred inflows of resources	31,110,464	36,021,665	(4,911,201)
Net position			
Net investment in capital assets	29,300,692	26,429,749	2,870,943
Restricted	1,433,964	434,523	999,441
Unrestricted	3,484,151	4,237,417	(753,266)
Total net position	34,218,807	31,101,689	3,117,118
Total liabilities and net position	$ 65,329,271	$ 67,123,354	$ (1,794,083)

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION

- Total assets increased by $2.7 million which represents an increase in current assets of $700 thousand and an increase in capital assets of $2.0 million. This is primarily due to the completion of the gabaldon lat, new belen outfall control structure, peralta main canal rehab project, and san francisco outfall control structure projects being completed.

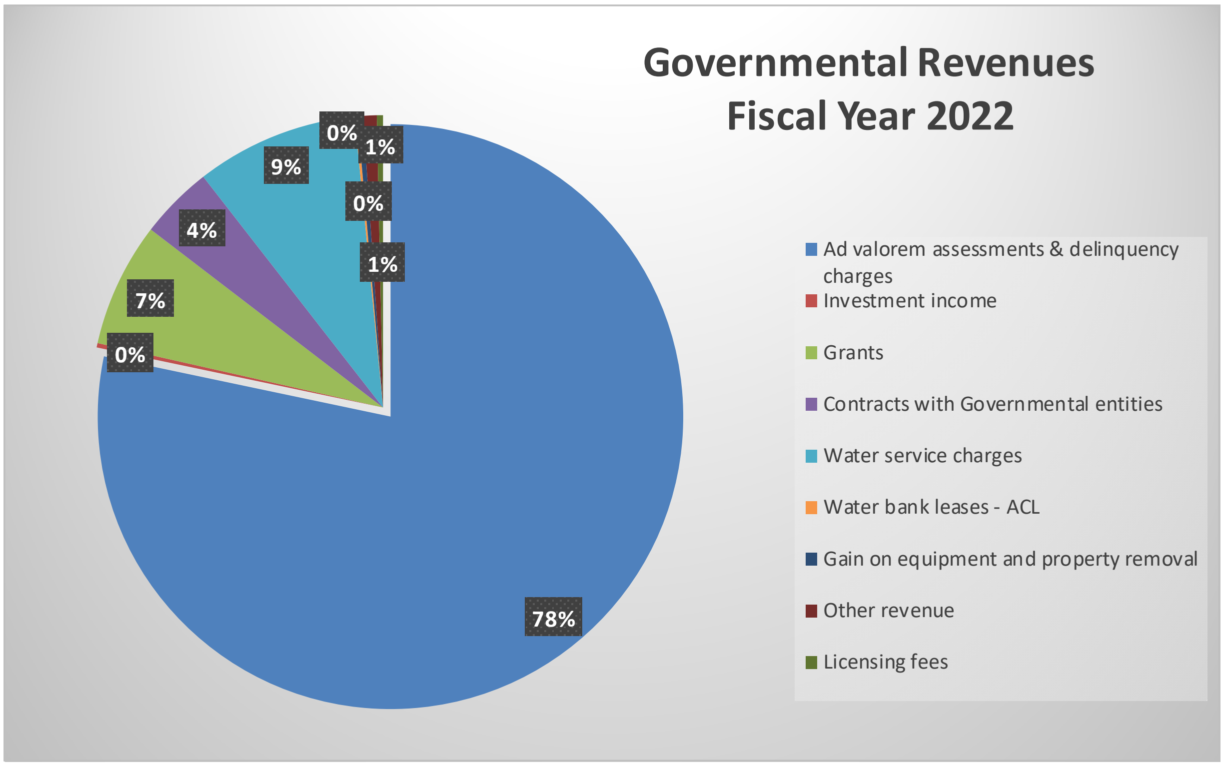
- Deferred outflow of resources decreased by $4.5 million due to a decrease in deferred outflows related to pensions of $4.5 million and deferred outflows related to OPEB liabilities of $20 thousand. These decreases are primarily due to the changes in either the employer allocation and or the actuarial valuation.

FINANCIAL HIGHLIGHTS – STATEMENT OF NET POSITION (Continued)

- Total liabilities decreased by $10.1 million. Net pension liability increased by $3.2 million and total OPEB liability decreased by $12.5 million and other liabilities decreased by $800 thousand. The overall decrease is primarily related to the changes in the actuarial valuation for the OPEB plan.

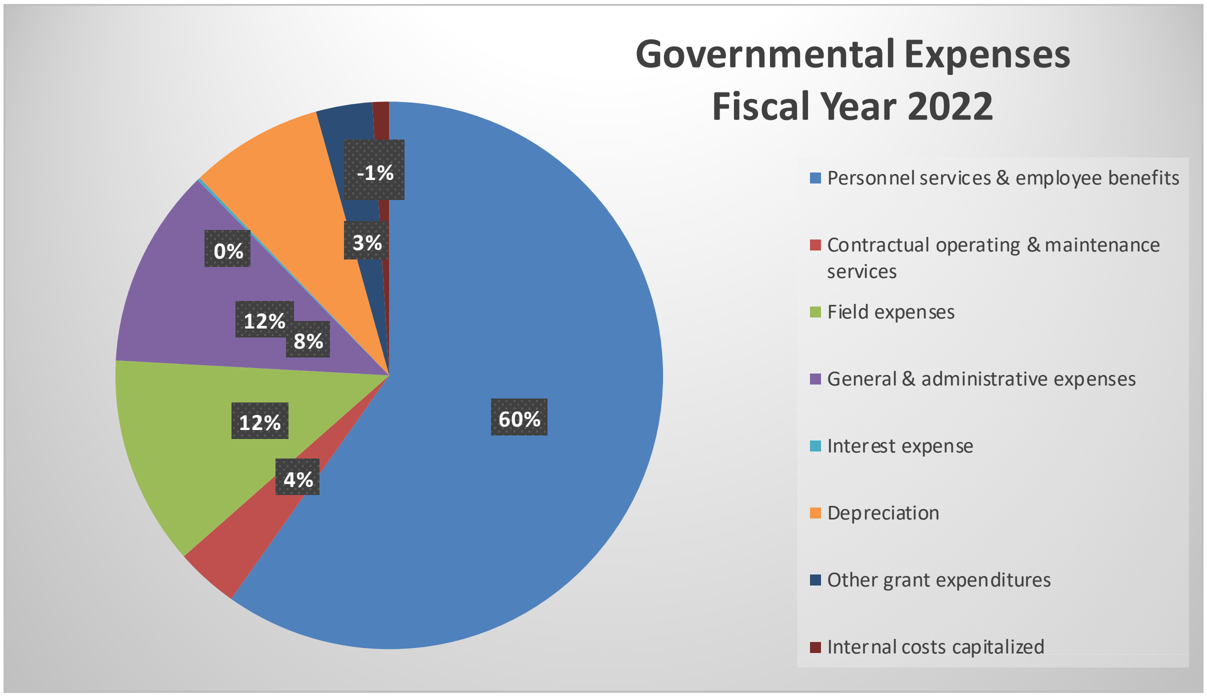
	2022	2021	Variance
Program revenues			
Charges for services	$ 1,168,394	$ 1,054,010	$ 114,384
Operating grants and contributions	1,823,664	257,378	1,566,286
General revenues			
Ad valorem assessments	20,583,233	19,701,936	881,297
Ad valorem interest	178,810	262,962	(84,152)
Water services charges	2,378,432	2,415,816	(37,384)
Water bank fees	41,263	33,317	7,946
Investment income	61,902	40,881	21,021
Proceeds from sale of capital assets	80,543	128,478	(47,935)
Other revenue	198,679	214,722	(16,043)
Total revenue	26,514,920	24,109,500	2,405,420
Expenses			
Public works	23,397,802	20,363,857	3,033,945
Total expenses	23,397,802	20,363,857	3,033,945
Increase (decrease) in net position	$ 3,117,118	$ 3,745,643	$ (628,525)

FINANCIAL HIGHLIGHTS – STATEMENT OF ACTIVITIES (Continued)



Total revenues increased by $2.4 million or approximately 10.0% primarily due to increases in operating grants ($1.6 million). This was due to the District receiving grants from the U.S. Fish and Wildlife Service and Bureau of Reclamation for water conservation and restoration projects. Ad Valorem revenue makes up 78% of the total revenue.

FINANCIAL HIGHLIGHTS – STATEMENT OF ACTIVITIES (Continued)



Expenses increased by $3.0 million or approximately 14.9% in fiscal year 2022 from fiscal year 2021. Personnel services and employee benefits increased by approximately $3.1 million in fiscal year 2022 primarily due to pay increases at the District. Personnel services and employee benefits accounted for 60% of the total expenses. The decrease in general & administrative expenses of $1.3 million is primarily due to the District paying for supplemental water costs during fiscal year 2021.

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. 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 $28.4 million, an increase of $670 thousand in comparison with the prior year. Of the total balance at year-end, $1.2 million is nonspendable, $1.4 million is restricted, $11.0 million is committed, $7.1 million is assigned and $7.8 million is unassigned. Unassigned fund balance is available for future spending of the District.

FINANCIAL HIGHLIGHTS – STATEMENT OF ACTIVITIES (Continued)

Revenues of governmental funds excluding other financing sources, totaled $26.4 million in the fiscal year ended June 30, 2022, which represents an increase of $2.2 million from the previous year of $24.1 million. The primary reasons are as follows: Ad valorem assessments and delinquency charges increased $730 thousand from the previous year, water service charges decreased by $160 thousand, and contract and grant revenue increased by $1.6 million followed by a small increase in other miscellaneous revenue of $26 thousand. The District's governmental expenditures of $26.8 million increased by $3.7 million from the previous year of $23.1 million. Current operations increased by $1.0 million followed by an increase of capital outlay of $2.6 million.

General Fund. The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance was $20.1 million of which $14.9 million is assigned and unassigned, $2.7 million is committed, $1.4 million is restricted and $1.2 million is nonspendable. The net change in fund balance for the General fund for the current fiscal year was an increase of $670 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. At the end of fiscal year ended June 30, 2022, the District modified the budgetary basis from non-GAAP to GAAP budgetary basis. Encumbrances for fiscal year ended June 30, 2022, totaling $1,875,092 were carried forward to fiscal year 2023 as a reserve in fund balance.

Budget to Actual (Non-GAAP Budgetary Basis) General Fund. For fiscal year ended June 30, 2022, the District budgeted for a deficit of $2,089,377. The District realized a revenue deficit of $269,926, an expenditure surplus of $6,234,650, a loan and other proceed deficit of $2,001,112 for a net deficit of $2,195,569.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

For the fiscal year ended June 30, 2022, actual revenues were $26.4 million compared to budgeted revenues of $26.7 million resulting in a deficit of revenues of $270 thousand less than budgeted. Ad valorem and water service charge revenue came in $88 thousand lower, than budgeted, however this was offset by higher amounts for water bank fees and investment income and other revenue by $144 thousand. The District realized $270 thousand less in grant revenue than budgeted.

Change in Mill 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 2022. 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 and inflation, the District kept the rate at $43.82 for fiscal year 2022.

- 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.

District Highlights

- Mike Hamman, the District's CEO/Chief Engineer retired on January 1, 2022. Jason Casuga the District's Chief Operating Officer was hired as CEO/Chief Engineer on February 14, 2022. Eric Zamora was hired on May 2, 2022, as Chief Operating Officer.

Ongoing District Commitments

- The District continues to work with the United States Department of the Army Corps of Engineers (federal government) on the Middle Rio Grande Flood Protection, Bernalillo to Belen Project. Currently the District is working with the federal government on a Phase 1 Design Agreement for the Mountain View Portion (Rio Bravo to Isleta Pueblo Northern Boundary) of the project. This project is discussed in detail in Note 14 of the financial statements.

District Contingencies

- District employees and legal advisors participated over a number of years in the development of the 2016 biological opinion (BiOp) related to the silvery minnow, southwestern willow flycatcher, yellow billed cuckoo and the meadow jumping mouse. The biological opinion has a number of conservation measures that the District is working on with the Bureau of Reclamation as the lead federal agency and the NMISC as another partner where a number of commitments associated with this BiOp and related projects including the Isleta Diversion Dam settlement are a continuing component of the District's operating budget. As of September of 2022, the District and our partners were notified that the Wild Earth Guardians are going to challenge the 2016 biological opinion. This issue is detailed in Note 13 – 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.

- The District is in the process of creating an asset management plan that will provide a basis for a financial plan and an operational plan. The District is in year 3 of a 5-year plan that identifies the current condition of the assets, the life cycle and a long term funding strategy.

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 river reach was finished in 2017. The federal government continues to work on the close out documents to turn the project improvements over to the District for maintenance. The other phases have been placed on hold as the government is focusing on other priority areas as described in Note 14.

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. A contract amendment has been extended through February 28, 2023. The District is currently in the process of negotiating a new contract with updated values based on the same methodology. Payment provision requires a minimum annual payment for services. The District and BIA are working on executing a new contract but may sign an amendment for one more year while negotiations are taking place.

Water Efficiency Improvement Loan from NMED Clean Water Act Program

- The District entered into a $500,000 20-year loan agreement with the New Mexico Environment Department, Construction Programs Bureau to provide gap funding for on-farm federal Farm Bill grants for water efficiency improvements within District boundaries. Loan agreements will be developed a part of a pilot program that, if successful, could lead to additional funding for this purpose in the future. The District is required to pledge revenues in accordance with the loan agreement. As of fiscal year, ended June 30, 2022, no loans have been given to District Farmers however, a loan agreement is expected to be executed in November of 2022.

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, 2022, total $30.1 million net of accumulated depreciation. The increase in capital assets in the current fiscal year totaled $2.0 million. Additional information related to capital assets can be found in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

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

Capital assets, net of accumulated depreciation	2022	2021
Land	$ 484,882	$ 484,882
Construction in progress	5,146,146	5,138,016
Buildings and improvements	2,803,937	2,862,940
Office furniture and equipment	317,272	331,815
Computer software	293,658	285,818
Engineering equipment	79,880	68,733
Commuication equipment	-	-
Motor vehicles and trailers	2,592,506	922,032
Weed and pest control equipment	123,582	99,686
Heavy field equipment	4,939,963	6,704,965
Shop and field equipment	39,135	30,805
Infrastructure	13,294,093	11,222,706
Right-to-use lease assets	21,493	32,239
Totals	$ 30,136,547	$ 28,184,637

Debt Administration. At the end of the current fiscal year, the District's governmental activities had a total $2.3 million in long term obligations related to loans payable, leases payable, and settlement agreement. Loans payable is $2.2 million of which $352 thousand is due or payable within the next fiscal year. The Isleta Dam settlement agreement liability is $630 thousand as of June 30, 2022.

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 previous years. Budgeted expenditures total $36.5 million. Budgeted revenues total $34.3 million with an additional $2.2 million of cash reserve creating a balanced budget. The District forecasted 3% increases in Ad valorem revenues and took a conservative approach to expenditures in fiscal year 2023. The District has increased grant expenditures in fiscal year 2023 and plans to invest $1.0 million in capital equipment and $1.9 million in capital projects.

- 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

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Basic Financial Statements

State of New Mexico
Middle Rio Grande Conservancy District
Statements of Net Position

June 30,	Governmental Activities 2022	2021 (As restated)
Assets		
Current assets		
Cash and cash equivalents	$ 1,050,374	$ 1,283,403
Investments	13,200,639	14,479,231
Receivables		
Ad valorem assessments, net	2,243,857	2,422,271
Water service and delinquency charges, net	341,184	242,752
Federal	1,207,106	106,945
Interest	16,655	1,267
Other	10,170	277,640
Inventory	1,176,799	917,834
Prepaid expenses	14,198	6,260
Total current assets	19,260,982	19,737,603
Noncurrent assets		
Restricted cash and cash equivalents	273,615	434,523
Restricted investments	12,580,721	11,179,677
Capital assets not being depreciated	5,631,028	5,622,898
Capital assets being depreciated	48,880,318	45,454,484
Less accumulated depreciation	(24,374,799)	(22,892,745)
Total noncurrent assets	42,990,883	39,798,837
Total assets	62,251,865	59,536,440
Deferred outflows of resources		
Deferred outflows - pension	1,470,807	5,618,813
Deferred outflows - OPEB	1,606,599	1,968,101
Total deferred outflows of resources	3,077,406	7,586,914
Total assets and deferred outflows of resources	$ 65,329,271	$ 67,123,354

The accompanying notes are an integral part of these financial statements.

June 30,	Governmental Activities 2022	2021 (As restated)
Liabilities		
Current liabilities		
Accounts payable	$ 336,661	$ 365,264
Accrued payroll	804,804	687,889
Deposit held in trust	485,613	484,990
Customer deposits	34,900	78,400
Long-term liabilities, current	1,049,517	958,233
Total current liabilities	2,711,495	2,574,776
Noncurrent liabilities		
Long-term liabilities, net of current portion	3,024,429	3,982,590
Net pension liability	11,204,514	19,603,472
Other post employment benefit liability	7,125,506	8,040,326
Total noncurrent liabilities	21,354,449	31,626,388
Total liabilities	24,065,944	34,201,164
Deferred inflows of resources		
Deferred inflows - pension	4,745,848	162,577
Deferred inflows - OPEB	2,298,672	1,657,924
Total deferred inflows of resources	7,044,520	1,820,501
Net position		
Net investment in capital assets	29,300,692	26,429,749
Restricted for		
Debt service	1,433,964	434,523
Unrestricted	3,484,151	4,237,417
Total net position	34,218,807	31,101,689
Total liabilities, deferred inflows of resources, and net position	$ 65,329,271	$ 67,123,354

The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Middle Rio Grande Conservancy District
Statements of Activities

	Governmental activities	
For the Year Ended June 30,	**2022**	**2021**
Program expenses		
Public works		
Personnel services	$ 9,667,016	$ 9,660,678
Employee benefits	4,608,071	1,521,286
Contractual operating and maintenance services	885,232	921,768
Field expenses	2,953,273	2,474,073
General and administrative expenses	2,814,226	4,107,638
Interest expense	39,177	45,261
Depreciation	1,877,439	1,904,851
Other grant expenditures	790,881	86,062
Internal costs capitalized	(237,513)	(357,760)
Total program expenses	23,397,802	20,363,857
Program revenues		
Charges for services		
Licensing fees	91,658	80,408
Operations and maintenance contracts		
Federal	757,984	670,724
Local	318,752	302,878
Operating grants		
Federal	1,596,366	257,378
State	227,298	-
Total program revenues	2,992,058	1,311,388
Net program (expenses) revenues	(20,405,744)	(19,052,469)
General revenues		
Ad valorem assessments	20,583,233	19,701,936
Ad valorem interest	178,810	262,962
Water services charges	2,378,432	2,415,816
Water bank fees	41,263	33,317
Investment income	61,902	40,881
Proceeds from sale of capital assets	80,543	128,478
Soils lab revenue	-	-
Other revenue	198,679	214,722
Total general revenues	23,522,862	22,798,112
Change in net position	3,117,118	3,745,643
Net position - beginning of year	31,101,689	27,356,046
Net position - end of year	$ 34,218,807	$ 31,101,689

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Balance Sheet - Governmental Funds

June 30,	General	Endowment Fund	Total Governmental Funds 2022	Total Governmental Funds 2021
Assets				
Cash and cash equivalents	$ 1,323,989	$ -	$ 1,323,989	$ 1,717,926
Investments	17,006,546	8,774,814	25,781,360	25,658,908
Receivables				
Ad valorem assessments, net	2,243,857	-	2,243,857	2,422,271
Water service charges, net	341,184	-	341,184	242,752
Intergovernmental	1,207,106	-	1,207,106	106,945
Interest	15,868	787	16,655	1,267
Other	10,170	-	10,170	277,640
Inventory	1,176,799	-	1,176,799	917,834
Prepaid expenses	14,198	-	14,198	6,260
Total assets	$ 23,339,717	$ 8,775,601	$ 32,115,318	$ 31,351,803
Liabilities, deferred inflows of resources, and fund balance				
Liabilities				
Accounts payable	$ 336,661	$ -	$ 336,661	$ 365,264
Accrued payroll	804,804	-	804,804	687,889
Deposits held in trust	-	485,613	485,613	484,990
Customer deposits	34,900	-	34,900	78,400
Total liabilities	1,176,365	485,613	1,661,978	1,616,543
Deferred inflows of resources				
Unavailable revenue	2,032,969	-	2,032,969	1,987,114
Total deferred inflows of resources	2,032,969	-	2,032,969	1,987,114
Fund balances				
Nonspendable	1,190,997	-	1,190,997	924,094
Restricted	1,423,523	-	1,423,523	434,523
Committed	2,655,999	8,289,988	10,945,987	10,694,771
Assigned	7,106,320	-	7,106,320	5,111,000
Unassigned	7,753,544	-	7,753,544	10,583,758
Total fund balances	20,130,383	8,289,988	28,420,371	27,748,146
Total liabilities, deferred inflows of resources, and fund balances	$ 23,339,717	$ 8,775,601	$ 32,115,318	$ 31,351,803

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Balance Sheet - Governmental Funds

June 30, 2021	General	Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,717,926	$ -	$ 1,717,926
Investments	16,886,164	8,772,744	25,658,908
Receivables			
Ad valorem assessments, net	2,422,271	-	2,422,271
Water service and delinquency charges, net	242,752	-	242,752
Intergovernmental	106,945	-	106,945
Interest	1,183	84	1,267
Other	277,640	-	277,640
Inventory	917,834	-	917,834
Prepaid expenses	6,260	-	6,260
Total assets	$ 22,578,975	$ 8,772,828	$ 31,351,803
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	$ 365,264	$ -	$ 365,264
Accrued payroll	687,889	-	687,889
Deposits held in trust	-	484,990	484,990
Customer deposits	78,400	-	78,400
Total liabilities	1,131,553	484,990	1,616,543
Deferred inflows of resources			
Unavailable revenue	1,987,114	-	1,987,114
Total deferred inflows of resources	1,987,114	-	1,987,114
Fund balances			
Nonspendable	924,094	-	924,094
Restricted	434,523	-	434,523
Committed	2,406,933	8,287,838	10,694,771
Assigned	5,111,000	-	5,111,000
Unassigned	10,583,758	-	10,583,758
Total fund balances	19,460,308	8,287,838	27,748,146
Total liabilities, deferred inflows of resources, and fund balances	$ 22,578,975	$ 8,772,828	$ 31,351,803

The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Middle Rio Grande Conservancy District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

	2022	2021 (As restated)
Amounts reported for governmental activities in the statement of net position are different because		
Fund balances - total governmental funds	$ 28,420,371	$ 27,748,146
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	30,136,547	28,184,637
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	2,032,969	1,987,114
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therfore, are not reported in the funds.		
Deferred outflows - pension	1,470,807	5,618,813
Deferred outflows - OPEB	1,606,599	1,968,101
Deferred inflows - pension	(4,745,848)	(162,577)
Deferred inflows - OPEB	(2,298,672)	(1,657,924)
Certain liabilities, including loans payable, leases, current and long-term portions of accrued compensated absences, net pension liability, and other post-employment benefit liability are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(1,173,954)	(1,160,865)
Notes payable	(2,248,254)	(1,722,649)
Lease payable	(21,565)	(32,239)
Settlement payable	(630,173)	(2,025,070)
Net pension liability	(11,204,514)	(19,603,472)
Other post-employment benefit liability	(7,125,506)	(8,040,326)
Net position - governmental activities	$ 34,218,807	$ 31,101,689

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30,	General	Endownment Fund	Total Governmental Funds 2022	Total Governmental Funds 2021 (As restated)
Revenues				
Taxes				
Ad valorem taxes	$ 20,610,485	$ -	$ 20,610,485	$ 19,792,819
Ad valorem interest	178,810	-	178,810	262,962
Water service charges	2,282,470	-	2,282,470	2,446,634
Water bank fees	41,263	-	41,263	33,317
Licensing fees	91,658	-	91,658	80,408
Investment income	59,220	2,682	61,902	40,881
Intergovernmental				
Project contract revenue - federal	757,984	-	757,984	730,878
Project contract revenue - local	318,752	-	318,752	302,878
Operating and capital grants - federal	1,596,366	-	1,596,366	257,378
Operating and capital grants - state	227,298	-	227,298	-
Other	221,534	-	221,534	195,329
Total revenues	26,385,840	2,682	26,388,522	24,143,484
Expenditures				
Current				
Public works	22,687,150	532	22,687,682	21,684,397
Capital outlay	3,591,836	-	3,591,836	977,953
Debt service				
Principal	477,033	-	477,033	405,142
Interest and other charges	39,177	-	39,177	45,261
Total expenditures	26,795,196	532	26,795,728	23,112,753
Excess (deficiency) of revenues over expenditures	(409,356)	2,150	(407,206)	1,030,731
Other financing sources (uses)				
Loan proceeds	998,888	-	998,888	-
Lease proceeds	-	-	-	32,239
Proceeds from sale of capital assets	80,543	-	80,543	128,478
Transfers in	-	-	-	938,129
Transfers (out)	-	-	-	(938,129)
Total other financing sources (uses)	1,079,431	-	1,079,431	160,717
Net change in fund balances	670,075	2,150	672,225	1,191,448
Fund balances - beginning of year	19,460,308	8,287,838	27,748,146	26,556,698
Fund balances - end of year	$ 20,130,383	$ 8,289,988	$ 28,420,371	$ 27,748,146

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2021	General (As restated)	Endownment Fund	Total Governmental Funds (As restated)
Revenues			
Taxes			
Ad valorem taxes	$ 19,792,819	$ -	$ 19,792,819
Ad valorem interest	262,962	-	262,962
Water service charges	2,446,634	-	2,446,634
Water bank fees	33,317	-	33,317
Licensing fees	80,408	-	80,408
Investment income	39,038	1,843	40,881
Intergovernmental			
Project contract revenue - federal	730,878	-	730,878
Project contract revenue - local	302,878	-	302,878
Operating and capital grants - federal	257,378	-	257,378
Other	195,329	-	195,329
Total revenues	24,141,641	1,843	24,143,484
Expenditures			
Current			
Public works	21,683,867	530	21,684,397
Capital outlay	977,953	-	977,953
Debt service			
Principal	405,142	-	405,142
Interest and other charges	45,261	-	45,261
Total expenditures	23,112,223	530	23,112,753
Excess (deficiency) of revenues over expenditures	1,029,418	1,313	1,030,731
Other financing sources (uses)			
Lease proceeds	32,239	-	32,239
Proceeds from sale of capital assets	128,478	-	128,478
Transfers in	-	938,129	938,129
Transfers (out)	(938,129)	-	(938,129)
Total other financing sources (uses)	(777,412)	938,129	160,717
Net change in fund balances	252,006	939,442	1,191,448
Fund balances - beginning of year	19,208,302	7,348,396	26,556,698
Fund balances - end of year	$ 19,460,308	$ 8,287,838	$ 27,748,146

The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Middle Rio Grande Conservancy District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

	2022	2021 (As restated)
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - total governmental funds	$ 672,225	$ 1,191,448
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense		
Capital expenditures	3,591,836	977,953
Internal costs capitalized	237,513	357,760
Depreciation expense	(1,877,439)	(1,904,851)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue related to ad valorem assessments	(27,252)	(90,883)
Change in unavailable revenue related to water service charges	95,963	(30,818)
Changes in unavailable revenue related to customer promissory notes	(22,856)	19,393
Changes in unavailable revenue related to BIA operations contracts	-	(60,154)
The issuance of long-term debt (e.g. loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds		
Change in compensated absences	(13,089)	77,987
Change in leases payable	10,674	-
Change in settlement payable	1,394,897	14,279
Loan proceeds	(998,889)	-
Lease proceeds	-	(32,239)
Principal payments	473,284	405,142
Governmental funds report District pension and other post-employment benefit contributions as expenditures. However, in the statement of activities, the cost of pension and other post-employment benefits earned net of employee contributions is reported as pension or OPEB expense.		
Contributions subsequent to the measurement date - pension	899,387	920,021
Pension expense	(1,231,706)	(909,932)
Contributions subsequent to the measurement date - OPEB	202,741	212,433
OPEB (expense)/benefit	(290,171)	2,598,104
Change in net position of governmental activities	$ 3,117,118	$ 3,745,643

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund

For the Year Ended June 30, 2022	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Ad Valorem assessments	$ 20,593,842	$ 20,593,842	$ 20,610,485	$ 16,643
Ad Valorem interest	248,000	248,000	178,810	(69,190)
Water service charges	2,317,500	2,317,500	2,282,470	(35,030)
Water bank fees	33,000	33,000	41,263	8,263
Licensing fees	69,000	69,000	91,658	22,658
Investment income	45,000	45,000	59,220	14,220
Project contract revenue				
Federal	748,948	748,948	757,984	9,036
Local	307,064	307,064	318,752	11,688
Intergovernmental				
Federal	1,700,212	1,700,212	1,596,366	(103,846)
State	495,600	495,600	227,298	(268,302)
Soils lab revenue	-	-	1,749	1,749
Other	97,600	97,600	219,785	122,185
Total revenues	26,655,766	26,655,766	26,385,840	(269,926)

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2022	Budgeted Amounts Original	Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Expenditures				
Salaries	10,306,072	9,753,032	9,468,985	284,047
Employee benefits	4,412,544	4,148,403	3,687,506	460,897
Employee & board related costs	526,153	447,197	394,181	53,016
General & administrative expenses	303,079	577,755	542,641	35,114
Professional services	407,600	523,703	311,997	211,706
Insurance & Legal Services	1,395,200	1,353,897	1,315,815	38,082
Technology & communication	544,322	518,588	495,553	23,035
Ad valorem collection fee	435,680	437,180	432,985	4,195
Utilities	175,060	137,870	133,559	4,311
Facility maintenance	38,380	143,062	141,942	1,120
Division maintenance, const, rehab	1,203,650	1,027,136	822,523	204,613
Vehicle & equipment O&M	1,582,100	1,817,906	1,723,254	94,652
Soils lab expense	-	8,491	7,598	893
Conservation program	-	58	57	1
Federal O&M services	885,232	885,232	885,232	-
Governmental agreements & projects	420,678	285,114	226,435	58,679
Projects	1,225,000	2,225,531	1,943,415	282,116
Endangered species act projects	150,000	111,459	76,729	34,730
Grants				
Wages and fringe benefits	155,000	207,742	219,400	(11,658)
Other grant expenditures	2,087,528	2,034,828	1,319,327	715,501
District match for grant expenditures	30,000	436,701	417,954	18,747
Debt service				
Prinicipal retirement	817,431	473,566	473,284	282
Interest	96,833	39,218	39,177	41
Capital outlay	4,822,600	4,426,474	705,944	3,720,530
Total expenditures	32,020,142	32,020,143	25,785,493	6,234,650
Excess (deficiency) of revenues over expenditures	(5,364,376)	(5,364,377)	600,347	5,964,724
Other financing sources (uses)				
Loan Proceeds	3,000,000	3,000,000	998,888	(2,001,112)
Equipment disposition proceeds	25,000	25,000	80,543	55,543
Transfers in	250,000	250,000	281,411	31,411
Transfers (out)	-	-	(281,411)	(281,411)
Total other financing sources (uses)	3,275,000	3,275,000	1,079,431	(2,195,569)
Change in fund balances (non-GAAP budgetary basis)	$ (2,089,376)	$ (2,089,377)	1,679,778	$ 3,769,155
Reconciliation to change in fund balance - GAAP basis				
Change in encumbrances			(1,009,703)	
Net change in fund balances (GAAP)			$ 670,075	

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Middle Rio Grande Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund

	Budgeted Amounts			Variances Favorable (Unfavorable)
For the Year Ended June 30, 2021	**Original**	**Final**	**Actual**	**Final to Actual**
Revenues				
Taxes				
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
Investment income	250,000	250,000	39,038	(210,962)
Project contract revenue				
Federal	761,843	761,843	730,878	(30,965)
Local	302,550	302,550	302,878	328
Intergovernmental				
Operating and Capital Grants	927,900	927,900	257,378	(670,522)
Other	84,600	84,600	195,329	110,729
Total revenues	24,252,592	24,252,592	24,141,641	(110,951)

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2021	Budgeted Amounts Original	Final	Actual	Variances Favorable (Unfavorable) Final to Actual
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)
Fringe and benefit	22,180	15,877	13,542	2,335
Other grant expenditures	870,214	850,640	161,000	689,640
Debt service				-
Prinicipal 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	24,278,092	24,278,092	23,086,304	1,191,788
Excess (deficiency) of revenues over expenditures	(25,500)	(25,500)	1,055,337	1,080,837
Other financing sources (uses)				
Equipment disposition proceeds	25,500	25,500	128,478	102,978
Total other financing sources (uses)	25,500	25,500	128,478	102,978
Change in fund balances (non-GAAP budgetary basis)	$ -	$ -	1,183,815	$ 1,183,815
Reconciliation to change in fund balance - GAAP basis				
Change in encumbrances			6,320	
Transfers not budgeted			(938,129)	
Change in fund balance - GAAP basis			$ 252,006	

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico, Middle Rio Grande Conservancy District (the "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 (the "Board").

Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only-criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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, and 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 financial statements are provided for governmental funds. The District's activities are all governmental activities and the District did not have proprietary and fiduciary funds during the years ended June 30, 2022 or June 30, 2021. There are no non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

For this purpose, the government considers ad valorem assessments, water service assessments and contract revenues available if they are collected within 30 days of the end of the current fiscal period. 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. However, debt service expenditures, as well as expenditures related to compensated absences and other post-employment benefits, are recorded only when payment is due.

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds presented in the fund financial statements include the following:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Endowment 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 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.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorizes the District to invest in banks, savings and loan associations or credit unions whose accounts are insured by an agency of the United States Government. In addition, the District can invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Certain of the District's investments are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables

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.

Ad Valorem and Water Service 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, 2022 and 2021, all receivables for water service and ad valorem assessments are delinquent.

It has been the District's experience that a significant portion of the receivables for water service and ad valorem assessments may not be collected within one year. Lien rights are available to the District on all delinquent water service and ad valorem assessments. The District computes allowances on water service and delinquency charges receivable and ad valorem assessments receivable based on management's determination of balances it believes will be uncollectible.

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

For the year ending June 30, 2022, water service charge assessments were assessed and levied at a uniform rate per acre of $43.82 based on acreage approximately 52,832. 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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

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.

Inventories

Inventories consist of expendable supplies and repair parts and are valued on an average cost basis. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid Expenses

Prepaid expenses include insurance and contract payments to vendors and reflect costs applicable to future accounting periods that are recorded as prepaid items in both the government-wide financial statements and fund financial statements.

Restricted Assets

Certain assets of the District are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Loan debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Capital Assets

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

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

Asset	Years
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

Right-to-Use Lease Assets

The Department has recorded intangible-right-to-use lease assets as a result of implementing GASB Statement No. 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right-to-use lease assets are amortized on a straight-line basis over the term of the related lease. See Note 7 for more information.

Deferred Outflows of Resources

In addition to assets, the statement of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a use of fund balance or net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The District has three types of items that qualify for reporting in this category related to reporting under GASB 68 and one type that related to reporting under GASB 75, which total $1,470,807 and $1,606,599, respectively, in the statement of net position for fiscal year ended June 30, 2022. In fiscal year ended June 30, 2021, the District has four types of items that qualify for reporting in this category related to reporting under GASB 68 and one type that related to reporting under GASB 75, which total $5,618,813 and $1,968,101, respectively. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and net other post-employment benefit liability, respectively, in future periods. The amounts are further detailed in Note 11 and Note 12.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Deferred Inflows of Resources

In addition to liabilities, the balance sheet element represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as inflows of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one item which arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The District had the following unavailable revenues for fiscal year 2022 and 2021.

	2022	2021
Unavailable revenue		
Ad valorem assessments	$ 1,741,661	$ 1,768,913
Water service charges	290,230	194,267
Customer promissory notes	1,078	23,934
Total unavailable revenue	$ 2,032,969	$ 1,987,114

In addition, the District has three types of items present on the statement of net position that qualify for reporting in this category related to reporting under GASB 68 and two types that related to reporting under GASB 75, which totaled $4,745,848 and $2,298,672, respectively, in the statement of net position for fiscal year ended June 30, 2022, respectively. In fiscal year ended June 30, 2021, the District has one type that qualifies for reporting in this category related to reporting under GASB 68 and two types that related to reporting under GASB 75, which total $162,577 and $1,657,924, respectively. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. They are further detailed in Note 11 and Note 12.

Accounts Payables

Accounts payables are comprised of expenditures owed to vendors or contractors through June 30, 2022.

Accrued Payroll

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2022, along with applicable benefits payable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Deposits

Deposits held in trust. 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 $485,613 and $484,990 in the years ended June 30, 2022 and 2021, respectively, is included in the accompanying statements of net position and balance sheets as a deposit held in trust and is being held in the special revenue fund.

Customer deposits. The District has the following deposits held in fiscal year 2022 and 2021 related to special use licenses.

	2022	2021
Customer deposits		
Special use license deposit	$ 34,900	$ 78,400

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt issuance costs and interest are expensed as incurred.

Compensated Absences. District employees are entitled to certain compensated absences based on their employment classification and length of employment.

> *Annual Leave* - 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Sick Leave - 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.

Compensatory Time - Qualified employees may elect to treat overtime hours worked as compensatory time. Qualified employees are granted one personal holiday and several legal holidays as set by the Board for every calendar year.

Lease liability. The District has entered into agreements to lease certain copiers. Lease liabilities qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. See Note 8 for more information.

The District is utilizing the incremental borrowing rate (IBR) of 1.25% for their copier leases.

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, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Other Postemployment Benefits (OPEB)

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.

Fund Balance Classification Policies and Procedures

Fund Balances

The District has implemented GASB No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board. The formal action that is required to be taken to establish a fund balance commitment is the Board.

For assigned fund balance, the Board or an official or body to which the Board delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund. Assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance – At June 30, 2022, the District had nonspendable fund balance categorized in the governmental funds balance sheet in the amount of $1,190,997 as detailed on in Note 16.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Restricted and Committed Fund Balance – At June 30, 2022, the District has presented restricted fund balance on the governmental funds balance sheet in the amount of $1,423,523 for cash and investments held by NMFA for restricted debt agreements. The District has also presented committed fund balance on the governmental funds balance sheet in the amount of $10,945,987. The details of these fund balance items are located on the governmental funds balance sheet as detailed on Note 16.

Minimum Fund Balance Policy – The District's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the District holds cash reserves to cover budgeted expenditures from the subsequent fiscal year as well as cash reserves of 1/12th the General Fund's subsequent budget.

Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Net position invested in 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. Net investment in capital assets includes $1,433,964 of unspent program funds from NMFA loans.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described in the statement of net position.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for water service assessments, (b) program-specific operating grants, which include revenues received from state and federal sources, to be used as specified within each grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state and federal sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the availability criterion have been met.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability and the related deferred inflows and outflows of resources, the other post-employment benefits liabilities and the related deferred inflows and outflows of resources, allowance for doubtful accounts, and the current portion of accrued compensated absences.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2022 and determined there were no events that occurred that required disclosure.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended June 30, 2022, the District adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

The implementation of GASB Statement No. 87 had a significant impact on the District. The implementation of GASB Statement No. 89, 92, 93, and 98 did not affect the District in a material manner.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

The District is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE, RESTATEMENTS, AND RECLASSIFICATIONS

During fiscal year 2021, the capital outlay and lease proceeds governmental fund balances and capital asset and long-term liabilities balances for governmental activities for fiscal year 2021 were restated in the amount of $32,239 due to GASB Statement No. 87, *Leases.*

In fiscal year 2022, the District implemented GASB Statement No. 87, *Leases*. The District was required to record right-to-use lease assets and lease liabilities in the amount of $32,239 in the government-wide financial statements as detailed in Notes 7 and 8. There was no impact on fund balance or net position.

Certain amounts from the 2021 financial statements have been reclassified to conform to the presentation of the 2022 financial statements.

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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, 2022 general fund budgeted expenditures exceeded budgeted revenues by $2,089,377. For the year ended June 30, 2021 general fund budgeted revenues were equal to budgeted expenditures.

The accompanying statements of revenues, expenditures and changes in fund balance – budget (non-GAAP budgetary basis) and actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2022 and June 30, 2021 are presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 4: DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2022.

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The District's accounts are located at an insured depository institution. All noninterest-bearing transaction accounts will be insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2022, $173,174 of the District's bank balance of $1,173,174 was exposed to custodial credit risk; $173,174 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2022.

As of June 30, 2021, $411,271 of the District's bank balance of $1,411,271 was exposed to custodial credit risk; $411,271 was uninsured but collateralized by collateral held by the pledging bank's trust department, but not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2021.

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

June 30, 2022		**Wells Fargo Bank NM**
Amount of deposits	$	1,173,174
FDIC coverage		(1,000,000)
Total uninsured public funds		173,174
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name		173,174
Uninsured and uncollateralized	$	-
Collateral requirement (50% of uninsured funds)	$	86,587
Pledged collateral		351,095
Over (under) collateralized	$	264,508

June 30, 2021		**Wells Fargo Bank**
Amount of deposits	$	1,411,271
FDIC coverage		(1,000,000)
Total uninsured public funds		411,271
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name		411,271
Uninsured and uncollateralized	$	-
Collateral requirement (50% of uninsured funds)	$	205,636
Pledged collateral		557,235
Over (under) collateralized	$	351,599

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

The collateral pledged is listed on pages 108 to 109 of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, school district or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Reconciliation of Cash, Cash Equivalents, and Investments

The balances at June 30, 2022.

Cash and cash equivalents	$	1,050,374
Restricted cash and cash equivalents		273,615
Investments		13,200,639
Restricted investments		12,580,721
Total cash and cash equivalents and investments		27,105,349
Plus outstanding checks		123,650
Less petty cash		(850)
Less investments		(24,631,452)
Less restricted NMFA funds		(1,423,523)
Bank balance of deposits	$	1,173,174

The balances at June 30, 2021.

Cash and cash equivalents	$	1,283,403
Restricted cash and cash equivalents		434,523
Investments		14,479,231
Restricted investments		11,179,677
Total cash and cash equivalents and investments		27,376,834
Plus outstanding checks		128,768
Less petty cash		(900)
Less investments		(25,658,908)
Less restricted NMFA funds		(434,523)
Bank balance of deposits	$	1,411,271

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Notes to Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments

The District has investments held in U.S. Money Market Funds, which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the District. Additionally, the District has U.S. Treasury Money Market Funds held by the New Mexico State Treasurer's Office. 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. As of June 30, 2022, the District had the following investments and maturities:

Investment Type	Weighted Average Maturities	Fair Value	Rating
Local Government Investment Pool	WAM (R) 49 Days WAM (F) 89 Days	$ 24,631,452	AAAm
U.S. Treasury Money Market Funds	>365 Days	1,149,908	AA+
Total Investments		$ 25,781,360	

As of June 30, 2021, the District had the following investments and maturities:

Investment Type	Weighted Average Maturities	Fair Value	Rating
Local Government Investment Pool	WAM (R) 48 Days WAM (F) 78 Days	$ 25,658,908	AAAm
Total Investments		$ 25,658,908	

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

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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 U.S. dollars.

Credit Risk

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The District has not invested 5% or more in any one issuer.

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The District maintained a balance at June 30, 2022 of $25,781,360, at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the District's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Local Government Investment Pool	$ 24,631,452	$ -	$ -	$ 24,631,452
U.S. Treasury Money Market Funds	1,149,908	-	-	1,149,908
Total	$ 25,781,360	$ -	$ -	$ 25,781,360

The District maintained a balance at June 30, 2021 of $25,658,908 at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the District's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Local Government Investment Pool	$ 25,658,908	$ -	$ -	$ 25,658,908
Total	$ 25,658,908	$ -	$ -	$ 25,658,908

NOTE 5: RECEIVABLES

Receivables as of June 30, 2022, are as follows:

	General Fund	Endowment Fund	Total
Ad valorem assessments	$ 2,434,689	$ -	$ 2,434,689
Allowance for doubtful account	(190,832)	-	(190,832)
Ad valorem asessments, net	2,243,857	-	2,243,857
Water service charges	668,104	-	668,104
Allowance for doubtful account	(326,920)	-	(326,920)
Water service charges, net	341,184	-	341,184
Intergovernmental			
Federal operating grants	996,658	-	996,658
State operating grants	210,448	-	210,448
Interest	15,868	787	16,655
Other	10,170	-	10,170
Total receivables	$ 3,818,185	$ 787	$ 3,818,972

Receivables as of June 30, 2021, are as follows:

	General Fund	Endowment Fund	Total
Ad valorem assessments	$ 2,608,488	$ -	$ 2,608,488
Allowance for doubtful account	(186,217)	-	(186,217)
Ad valorem asessments, net	2,422,271	-	2,422,271
Water service charges	575,227	-	575,227
Allowance for doubtful account	(332,475)	-	(332,475)
Water service charges, net	242,752	-	242,752
Intergovernmental			
Federal operating grants	106,945	-	106,945
State operating grants	-	-	-
Interest	1,183	84	1,267
Other	277,640	-	277,640
Total receivables	$ 3,050,791	$ 84	$ 3,050,875

NOTE 6: INTERFUND TRANSFERS

In fiscal year 2022, there were no interfund transfers. During fiscal year 2021, interfund transfers totaling $938,129 from the general fund to the special revenue fund were made for the purpose of correcting the cash transfer of the Water Bank Funds completed in FY2020.

NOTE 7: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2022. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2021 (As restated)*	Transfers	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated					
Land	$ 484,882	$ -	$ -	$ -	$ 484,882
Construction in progress	5,138,016	(2,510,537)	2,518,667	-	5,146,146
Total capital assets not being depreciated	5,622,898	(2,510,537)	2,518,667	-	5,631,028
Capital assets being depreciated:					
Buildings and improvements	4,977,370	-	96,584	-	5,073,954
Office furniture and equipment	849,279	-	33,567	-	882,846
Computer software	765,714	-	62,810	-	828,524
Engineering equipment	147,560	-	38,309	-	185,869
Motor vehicles and trailers	6,807,205	2,372,426	706,423	208,304	9,677,750
Weed and pest control equipment	470,340	-	36,590	5,048	501,882
Heavy field equipment	14,453,388	(2,372,426)	273,000	182,031	12,171,931
Shop and field equipment	209,567	-	14,643	-	224,210
Infrastructure	16,741,822	2,510,537	48,754	-	19,301,113
Right-to-use lease assets	32,239	-	-	-	32,239
Total capital assets being depreciated	45,454,484	2,510,537	1,310,680	395,383	48,880,318
Total capital assets	51,077,382	-	3,829,347	395,383	54,511,346
Less accumulated depreciation:					
Buildings and improvements	2,114,430	-	155,587	-	2,270,017
Office furniture and equipment	517,464	-	48,110	-	565,574
Computer software	479,896	-	54,970	-	534,866
Engineering equipment	78,827	-	27,162	-	105,989
Motor vehicles and trailers	5,885,173	1,007,251	401,124	208,304	7,085,244
Weed and pest control equipment	370,654	-	12,694	5,048	378,300
Heavy field equipment	7,748,424	(1,007,251)	672,826	182,031	7,231,968
Shop and field equipment	178,761	-	6,314	-	185,075
Infrastructure	5,519,116	-	487,904	-	6,007,020
Right-to-use lease assets	-	-	10,746	-	10,746
Total accumulated depreciation	22,892,745	-	1,877,437	395,383	24,374,799
Total capital assets, net of depreciation	$ 28,184,637	$ -	$ 1,951,910	$ -	$ 30,136,547

*The notes require a restatement due to the implementation of GASBS 87, see Note 2.

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NOTE 7: CAPITAL ASSETS (Continued)

The District has lease liabilities associated with the right-to-use lease assets as of June 30, 2022 which are further described in Note 8. Depreciation expense totaled $1,866,691 for the year ended June 30, 2022 and has been charged to the function of public works. Amortization of right-to-use lease assets totaled $10,746 for the year ended June 30, 2022 and has been charged to the function of public works.

The following is a summary of capital assets and changes occurring during the year ended June 30, 2021. Land and construction in progress are not subject to depreciation.

	Balance July 1, 2020	Transfers	Additions	Deletions	Balance June 30, 2021 *(As restated)
Capital assets not being depreciated:					
Land	$ 484,882	$ -	$ -	$ -	$ 484,882
Construction in progress	6,015,590	(1,200,166)	322,592	-	5,138,016
Total capital assets not being depreciated	6,500,472	(1,200,166)	322,592	-	5,622,898
Capital assets being depreciated					
Buildings and improvements	3,840,467	988,053	148,850	-	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	10,795	23,120	-	147,560
Commuication 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	212,113	357,760	-	16,741,822
Right-to-use lease assets	-	-	32,239	-	32,239
Total capital assets being depreciated	43,879,479	1,200,166	1,013,121	638,282	45,454,484
Total capital assets	50,379,951	-	1,335,713	638,282	51,077,382
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	10,795	3,544	-	78,827
Commuication 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, net of depreciation	$ 28,753,775	$ -	$ (569,138)	$ -	$ 28,184,637

*The notes require a restatement due to the implementation of GASBS 87, see Note 2.

NOTE 7: CAPITAL ASSETS (Continued)

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

NOTE 8: LONG-TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2021 (As restated)*	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Loans payable	$ 1,722,649	$ 998,889	$ 473,284	$ 2,248,254	$ 352,142
Leases payable	32,239	-	10,674	21,565	10,808
Settlement agreement	2,025,070	-	1,394,897	630,173	-
Compensated absences	1,160,865	1,539,699	1,526,610	1,173,954	686,567
Total long-term liabilities	$ 4,940,823	$ 2,538,588	$ 3,405,465	$ 4,073,946	$ 1,049,517

*The notes require a restatement due to the implementation of GASBS 87, see Note 2.

During the year ended June 30, 2021, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021 *(As restated)	Due Within One Year
Loans payable	$ 2,127,791	$ -	$ 405,142	$ 1,722,649	$ 415,339
Leases payable	-	32,239	-	32,239	10,674
Settlement agreement	2,039,349	-	14,279	2,025,070	-
Compensated absences	1,238,852	3,341,729	3,419,716	1,160,865	542,894
Total long-term liabilities	$ 5,405,992	$ 3,373,968	$ 3,839,137	$ 4,940,823	$ 968,907

*The notes require a restatement due to the implementation of GASBS 87, see Note 2.

Loans payable. The District entered into three loan agreements with the New Mexico Finance Authority. The NMFA loans are as follows:

NOTE 8: LONG-TERM LIABILITIES (Continued)

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 June 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 April 2028. In the event of default, the repayment of outstanding amounts could become immediately due.

In December 2021, the District entered into a loan agreement with NMFA in the amount of $998,889 for the purpose of financing heavy equipment and respective apparatus. The loan bears interest at a blended rate of 0.720425%. 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.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	$ 352,142	$ 40,489	$ 392,631
2024	357,854	36,024	393,878
2025	364,045	30,995	395,040
2026	370,878	25,334	396,212
2027	378,276	19,083	397,359
2028-2032	417,266	43,510	460,776
2033	7,793	7,812	15,605
Totals	$ 2,248,254	$ 203,247	$ 2,451,501

Leases payable. The District has entered into a lease agreement for copiers. The lease agreement has been recorded at the present value of future lease payments as of the date of their inception or, for leases existing prior to the implementation year, at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021.

NOTE 8: LONG-TERM LIABILITIES (Continued)

Lease liabilities and right-to-use assets were composed of the following as of June 30, 2022:

	Effective Date	End Date	Monthly Payments	Borrowing Rate	Lease Liability	Right-to-Use Lease Asset, net amortization
Copiers	7/1/2021	6/30/2024		1.25%	$ 21,565	$ 21,493
	Totals				$ 21,565	$ 21,493

The future minimum payments on the leases as of June 30, 2022 were as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 10,808	$ 208	$ 11,016
2024	10,757	72	10,829
Totals	$ 21,565	$ 280	$ 21,845

Settlement agreement. 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 $630,173 and $2,025,070 for the years ended June 30, 2022 and 2021, respectively. Because the full amount is not required to be paid until October 2026, the liability has been reported as non-current.

Compensated absences. The liability at June 30, 2022 and June 30, 2021 has been recorded in the basic financial statements and represents the District's commitment to fund accrued vacation, sick leave and compensatory time off costs from future operations. The compensated absence liability of the governmental funds is expected to be liquidated by the General Fund.

NOTE 9: 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, 2022, claims did not exceed commercial insurance. During fiscal 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. The District has not had any significant reductions in insurance coverage from coverage in the prior year.

NOTE 10: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. There were no funds with deficit fund balance as of June 30, 2022.

B. Excess of expenditures over budget authority. There were no funds with expenditures in excess of budget authority for the year ended June 30, 2022.

C. Designated cash appropriations in excess of available balances. There were no funds with appropriations exceeding approved budgetary authority for the year ended June 30, 2022.

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Benefits provided. Benefits are generally available at age 65 with five or 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%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's Annual Comprehensive Financial Report for a summary of various statutory PERA coverage rates, for both Tier I and Tier II, on page 36 of the annual audit report at http://www.nmpera.org/financial-overview/retirement-fund-valuation-reports/. The PERA coverage option that applies to the District is: Municipal General Division. Statutorily required contributions to the pension plan from the District were $899,387 for the year ended June 30, 2022.

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. 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.

For PERA Fund Municipal General Division, at June 30, 2022, the District reported a liability of $11,204,514 for its proportionate share of the net pension liability. At June 30, 2022, the District’s proportion was 0.9945 percent, which was an increase of 0.00251 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized PERA Fund Municipal General Division pension expense of $1,231,706. At June 30, 2022, the District reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 3,684	$ 103,075
Changes in proportion	288,816	-
Difference between expected and actual experience	278,920	38,361
Net difference between projected and actual earnings on pension plan investments	-	4,604,412
District's contributions subsequent to the measurement date	899,387	-
Total	$ 1,470,807	$ 4,745,848

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

$899,387 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	$ (591,598)
2023	(774,363)
2024	(919,165)
2025	(1,889,302)
Thereafter	-
Total	$ (4,174,428)

For PERA Fund Municipal General Division, at June 30, 2021, the District reported a liability of $19,603,472 for its proportionate share of the net pension liability. At June 30, 2021, the District's proportion was 0.9694 percent, which was a decrease of 0.0136 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized PERA Fund Municipal General Division pension expense of $909,932. At June 30, 2021, the District reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of	**Deferred Inflows of**
Change of assumptions	$ 362,704	$ -
Changes in proportion	207,942	162,577
Difference between expected and actual experience	543,259	-
Net difference between projected and actual earnings on pension plan investments	3,584,887	-
District's contributions subsequent to the measurement date	920,021	-
Total	$ 5,618,813	$ 162,577

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

$920,021 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2021	$ 1,483,546
2022	1,175,435
2023	997,616
2024	879,618
Thereafter	-
Total	$ 4,536,215

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date:

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment rate of return, net	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	2.5%; 2.75% all other years
Mortality assumptions	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 generational. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2017 (economic)

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2022. These assumptions were adopted by the Board use in the June 30, 2021 actuarial valuation.

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment rate of return, net	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% annual rate first 9 years, 2.75% all other years
Mortality assumptions	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 generational. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board use in the June 30, 2020 actuarial valuation.

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (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 asset 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, 2021. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. For fiscal year 2022, the following presents the District's proportionate share of the net pension liability calculated using a discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

NOTE 11: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 20,098,432	$ 11,204,514	$ 3,826,747

For fiscal year 2021, the following presents the District's proportionate share of the net pension liability calculated using a 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.

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 28,067,072	$ 19,603,472	$ 12,585,443

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

Payables to the pension plan. At June 30, 2022 and 2021, there were no amounts due to PERA for the District.

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT

General Information about the OPEB

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.

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

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 year 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.

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%

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

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, 2022 and 2021, the District contributed $202,741 and $212,433 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.

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

	2022	**2021**
Inactive employees or beneficiaries currently receiving benefits	20	20
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	209	209
Total membership	229	229

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).

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

Significant assumptions and other inputs used to measure the total OPEB liability for the fiscal year ended June 30, 2022 are as follows:

Inflation	2.50%
Salary increases	3.25%
Discount rate	
Prior measurement	2.16%
Measurement date	3.54%
Mortality table	Pub-2010 General Employees / Retirees Headcount-Weighted Mortality Table projected fully generationally using MP-2020 mortality improvement scales
Healthcare 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.

Sensitivity of the District's OPEB liability to changes in the discount rate and healthcare cost trend rates. 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 TOL can be very significant for a relatively small change in either rates. The table below shows the sensitivity of the TOL to the discount rate:

1% Increase (4.54%)	Current Discount Rate (3.54%)	1% Decrease (2.54%)
$ 6,376,091	$ 7,125,506	$ 7,978,077

The table below shows the sensitivity of the TOL to the healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
$ 6,376,091	$ 7,125,506	$ 7,978,077

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Notes to Financial Statements

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

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

	2022	2021
Beginning balance	$ 8,040,326	$ 10,039,600
Changes for the year		
Service cost	344,538	549,079
Interest	178,935	231,675
Changes in benefits	-	(3,300,000)
Difference between expected and actual experience	(29,477)	(391,751)
Changes of assumptions or other inputs	(1,206,075)	1,124,156
Benefit payments	(202,741)	(212,433)
Net changes	(914,820)	(1,999,274)
Ending balances	$ 7,125,506	$ 8,040,326

At June 30, 2022, the District reported a liability of $7,125,506 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of $290,171. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 1,403,858	$ 1,661,478
District's contributions subsequent to the measurement date	202,741	-
Differences between expected and actual experience	-	637,194
Total	$ 1,606,599	$ 2,298,672

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

Deferred outflows of resources totaling $202,741 represent District's contributions made subsequent to the measurement date and will be recognized as a reduction of total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2023	$	(273,850)
2024		(187,597)
2025		(131,221)
2026		97,110
2027		(90,367)
Thereafter		(308,889)
Total	$	(894,814)

At June 30, 2021, the District reported a liability of $8,040,326 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

For the year ended June 30, 2021 the District recognized OPEB benefit of $2,598,104. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 1,755,668	$ 884,511
District's contributions subsequent to the measurement date	212,433	-
Differences between expected and actual experience	-	773,413
Total	$ 1,968,101	$ 1,657,924

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

Deferred outflows of resources totaling $212,433 represent District's contributions made subsequent to the measurement date and will be recognized as a reduction of total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB benefit as follows:

Year ended June 30:		
2022	$	(121,345)
2023		(121,345)
2024		(35,092)
2025		21,284
2026		249,615
Thereafter		104,627
Total	$	97,744

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

For the fiscals 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.

NOTE 12: OTHER POSTEMPLOYMENT BENEFIT (Continued)

General Information about the OPEB (Continued)

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

		2022		2021
Service cost at end of year	$	344,538	$	549,079
Interest on total OPEB liability and service cost		178,935		231,675
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		(165,696)		(162,011)
Changes of assumptions or other inputs		(67,606)		83,153
OPEB Expense/(Benefit)	$	290,171	$	(2,598,104)

NOTE 13: 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.

NOTE 13: CONTINGENCIES (Continued)

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.

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 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 our board meeting held 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.

It has always been the District's position that the District only granted an assignment of easement to the United States but did not grant ownership. After several years in court the Bureau of Reclamation supported legislation pursuing title transfer under the Secretary of Interior's authority to transfer ownership interests to irrigation districts that officially request such action.

The District implemented GASB 34 in fiscal year 2003 with the assumption that title to the lands belonged to the District. The majority of the District's infrastructure was constructed or acquired prior to July 1, 1980 and in accordance with GASB 34, has not been valued. Infrastructure, which was build and improved since July 1, 2002 has been capitalized and the District determined that no infrastructure which meets the District's definition was purchased, constructed or acquired from July 1, 1980 to July 1, 2002.

It is the District's opinion that Title Transfer Phase 1 was a compromise to a long standing difference of opinion between the Federal Government and the District. The District implemented GASB 34 in 2003 with the assumption that the assets and the title to the assets were in the Districts name. 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. It is therefore the District's opinion that the Title Transfer of Phase 1 does not require the District to record the value of the lands at fair market value as of the date of the signing of the agreement. The District did not add the infrastructure at fair market value in fiscal year 2022.

Phase 2 will be pursued in the future and will include all facilities and associated lands north of Isleta Pueblo.

NOTE 13: CONTINGENCIES (Continued)

Current Litigation/Claims. On 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.

The Isleta Dam Settlement required the District to provide a total of $2.5 million during a ten-year period ending in 2027 to help resolve sedimentation and fish passage at Isleta Diversion Dam. As of FY22, the District has expended 1,869,827 leaving a remaining balance of $630,173.

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 December of 2021, multiple plaintiffs filed suit against MRGCD in state district court alleging inverse condemnation against MRGCD for flood damage to their properties that occurred as a result of a major rain event on July 6, 2021. Plaintiffs have made claims against MRGCD, Roy D. Mercer, LLC, 4 DAUGHTERS Land and Cattle Company, and Sundance Construction Company. The MRGCD has filed claims against The City of Belen and the County Commissioners for Valencia County. The MRGCD denies any wrongdoing and is vigorously defending the case.

NOTE 14: 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. In 2022 the District has been working with the federal government on a Phase 1 Design Agreement for the Mountain View Portion (Rio Bravo to Isleta Pueblo Northern Boundary) of the project. This portion of the project would cover approximately 4.5 miles of the 47.8-mile project.

NOTE 14: COMMITMENTS (Continued)

Rio Grande Floodway San Acacia to Bosque del Apache Unit. The Socorro segment of the proposed San Acacia Levee system has been essentially completed with only finalization of the documentation necessary to transfer O&M to the District as well as provide files necessary to complete the Letter of Map Revision to FEMA in order to confirm that over 1,500 private properties are now out of the 100-year floodplain. The District continues to 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 and received additional funding from the federal government and the project is in the beginning phase of operation.

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. During fiscal year 2022, the District set aside $1,875,092 in assigned fund balance related to encumbrances. Encumbrances outstanding were $1,009,700 at June 30, 2021 and are included in assigned fund balances in the accompanying balance sheet.

NOTE 15: RESTRICTED NET POSITION

The government-wide statement of net position reports $1,433,964 and $434,523 for fiscal years 2022 and 2021, respectively, of restricted net position, all of which is restricted by enabling legislation.

NOTE 16: FUND BALANCES

Fund balances on the modified accrual basis was classified as follows at June 30, 2022:

	Restricted	Committed	Assigned	Nonspendable	Unassigned
General Fund					
NMFA cash and investments	$ 1,423,523	$ -	$ -	$ -	$ -
Prepaid expenses	-	-	-	14,198	-
Inventory	-	-	-	1,176,799	-
equipment					
purchases	-	2,655,999	-	-	-
Cash reserve	-	-	2,189,477	-	-
2022 encumbered funds	-	-	1,875,092	-	-
1/12th of 2023 budget	-	-	3,041,751	-	-
Unassigned fund balance		-	-	-	7,753,544
Total General Fund	1,423,523	2,655,999	7,106,320	1,190,997	7,753,544
Endownment Fund					
levee					
projects	-	1,062,692	-	-	-
Endowment and capital reserve fund	-	7,227,296	-	-	-
Total Endowment Fund	-	8,289,988	-	-	-
Total fund balances	$ 1,423,523	$ 10,945,987	$ 7,106,320	$ 1,190,997	$ 7,753,544

Fund balances on the modified accrual basis was classified as follows at June 30, 2021:

	Restricted	Committed	Assigned	Nonspendable	Unassigned
General Fund					
NMFA cash	$ 434,523	$ -	$ -	$ -	$ -
Prepaid expenses	-	-	-	6,260	-
Inventory	-	-	-	917,834	-
Investments designated for					
equipment purchases	-	2,406,933	-	-	-
Cash reserve	-		2,089,376	-	-
2021 encumbered funds			1,009,700		
1/12th of 2022 budget			2,011,924		
Unassigned fund balance		-	-	-	10,583,758
Total General Fund	434,523	2,406,933	5,111,000	924,094	10,583,758
Endownment Fund					
Investments designated for					
future levee projects	-	1,061,271	-	-	-
Endowment and capital reserve fund	-	7,226,567	-	-	-
Total Endowment Fund	-	8,287,838	-	-	-
Total fund balances	$ 434,523	$ 10,694,771	$ 5,111,000	$ 924,094	$ 10,583,758

NOTE 17: TAX ABATEMENTS

There are no tax abatements enacted by the District.

There 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 taxes. Bernalillo County reported abatements to the District.

The District has the following tax abatement agreements for fiscal year ended June 30, 2022:

Abating Agency	Recipients of the Abatement	Real Property Taxes Abated	
Bernalillo County	Wells Fargo National Bank (trustee)	$	6,381
	Friedman Recycling of Albuquerque LLC		3,196
	The Greater Albuquerque Housing Partnership (GAHP)		8,354
	Hotel Chaco, LLC		27,008
	Rembe Family, LLC		16,894
	New Mexico Fresh Foods, LLC		6,017
	One Central Associates		24,153
	DRB Properties and Rio Bravo Brewing Co		1,861
	Sawmill Bellamah Properties, LLC		6,029
	Silver Moon Lodge LLLP		12,726
	UR Silver LLC		10,906
	US Foodservice, Inc.		22,594
		$	146,119

NOTE 17: TAX ABATEMENTS (Continued)

The District has the following tax abatement agreements for fiscal year ended June 30, 2021:

Abating Agency	Recipients of the Abatement	Real Property Taxes Abated
Bernalillo County	Wells Fargo National Bank (trustee)	$ 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
		$ 138,445

NOTE 18: CONCENTRATIONS

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

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Required Supplementary Information

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	June 30,	
Fiscal Year	**2022**	**2021**
Measurement Date	**2021**	**2020**
Middle Rio Grande Conservancy District's proportion of the net pension liability		
Municipal General	0.9945%	0.9694%
Middle Rio Grande Conservancy District's proportionate share of the net pension liability		
Municipal General	$ 11,204,514	$ 19,603,472
	$ 11,204,514	$ 19,603,472
Middle Rio Grande Conservancy District's covered payroll		
Municipal General	$ 9,387,972	$ 9,352,383
	$ 9,387,972	$ 9,352,383
Middle Rio Grande Conservancy District's proportionate share of the net pension liability as a percentage of its covered payroll		
Municipal General	119.35%	209.61%
Plan fiduciary net position as a percentage of the total pension liability		
Municipal General	77.25%	66.36%

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

See notes to required supplementary information.

June 30,					
2020	2019	2018	2017	2016	2015
2019	2018	2017	2016	2015	2014
0.9830%	0.9839%	0.9167%	0.9355%	0.9641%	0.9750%
$ 17,016,707	$ 15,687,008	$ 12,596,234	$ 14,946,142	$ 9,829,835	$ 7,606,046
$ 17,016,707	$ 15,687,008	$ 12,596,234	$ 14,946,142	$ 9,829,835	$ 7,606,046
$ 8,651,794	$ 8,305,085	$ 8,051,600	$ 8,028,645	$ 8,028,757	$ 8,028,757
$ 8,651,794	$ 8,305,085	$ 8,051,600	$ 8,028,645	$ 8,028,757	$ 8,028,757
196.68%	188.88%	156.44%	186.16%	122.43%	94.74%
70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

See notes to required supplementary information.

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of the District's Contributions
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

As of and for the Year Ended June 30,	**2022**	**2021**
Contractually required contribution		
Municipal General	$ 899,387	$ 920,021
	$ 899,387	$ 920,021
Contributions in relation to the contractually required contribution		
Municipal General	$ (899,387)	$ (920,021)
	$ (899,387)	$ (920,021)
Middle Rio Grande Conservancy District's covered payroll		
Municipal General	$ 9,177,418	$ 9,387,972
	$ 9,177,418	$ 9,387,972
Contributions as a percentage of covered payroll		
Municipal General	9.80%	9.80%

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

See notes to required supplementary information.

2020	2019	2018	2017	2016	2015
$ 893,143	$ 826,103	$ 793,135	$ 768,886	$ 766,736	$ 766,746
$ 893,143	$ 826,103	$ 793,135	$ 768,886	$ 766,736	$ 766,746
$ (893,143)	$ (826,103)	$ (793,135)	$ (768,886)	$ (766,736)	$ (766,746)
$ (893,143)	$ (826,103)	$ (793,135)	$ (768,886)	$ (766,736)	$ (766,746)
$ 9,352,283	$ 8,650,293	$ 8,305,079	$ 8,051,162	$ 8,028,649	$ 8,028,754
$ 9,352,283	$ 8,650,293	$ 8,305,079	$ 8,051,162	$ 8,028,649	$ 8,028,754
9.55%	9.55%	9.55%	9.55%	9.55%	9.55%

See notes to required supplementary information.

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Total Other Postemployment Benefit (OPEB) Liability
Last 10 Fiscal Years*

	June 30,	
Fiscal Year	**2022**	**2021**
Measurement Date	**2021**	**2020**
Service cost	$ 344,538	$ 549,079
Interest on total OPEB liability and service cost	178,935	231,675
Changes of benefit terms	-	(3,300,000)
Difference between expected and actual experience	(29,477)	(391,751)
Changes of assumptions or other inputs	(1,206,075)	1,124,156
Benefit payments	(202,741)	(212,433)
Net change in total OPEB liability	(914,820)	(1,999,274)
Total OPEB liability - beginning	8,040,326	10,039,600
Total OPEB liability - ending	$ 7,125,506	$ 8,040,326
Covered-employee payroll	$ 9,465,118	$ 9,645,902
Total OPEB liability as a percentage of covered-employee payroll	75.28%	83.35%

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

See notes to required supplementary information.

June 30,			
2020 2019	2019 2018	2018 2017	2017 2016
$ 385,106	$ 446,136	$ 429,225	$ 496,774
299,938	369,767	316,992	258,276
-	-	-	-
(94,039)	(648,293)	-	-
1,406,355	(886,574)	(295,116)	(800,395)
(233,789)	(225,003)	(169,766)	(155,558)
1,763,571	(943,967)	281,335	(200,903)
8,276,029	9,219,996	8,938,661	9,139,564
$ 10,039,600	$ 8,276,029	$ 9,219,996	$ 8,938,661
$ 9,376,340	$ 8,830,062	$ 8,460,665	$ 8,316,934
107.07%	93.73%	108.97%	107.48%

See notes to required supplementary information.

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Other Postemployment Benefit (OPEB) Contributions
Last 10 Fiscal Years*

As of and for the Year Ended June 30,	2022	2021
Contractually required contributions	$ 202,741	$ 212,433
Contributions in relation to the contractually required contribution	(202,741)	(212,433)
Contribution deficiency (excess)	$ -	$ -
Middle Rio Grande Conservancy District's covered-employee payroll	$ 9,465,118	$ 9,645,902
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

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

See notes to required supplementary information.

2020	2019	2018	2017
$ 233,789	$ 225,003	$ 169,766	$ 155,558
(233,789)	(225,003)	(169,766)	(155,558)
$ -	$ -	$ -	$ -
$ 9,376,340	$ 8,830,062	$ 8,460,665	$ 8,316,934
2.00%	3.00%	2.00%	2.00%

See notes to required supplementary information.

State of New Mexico
Middle Rio Grande Conservancy District
Notes to Required Supplementary Information
June 30, 2022

Public Employees Retirement Association (PERA) Plan

Changes of benefit terms. The Public Employees Retirement Association (PERA) Fund COLA and

Changes of assumptions. The PERA of New Mexico Annual Actuarial Valuation as of June 2021 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.

Changes of 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 Distrct.

Supplementary Information

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Collateral Pledged by Depository For Public Funds
June 30, 2022

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number		Value June 30, 2022
Wells Fargo Bank, N.A.					
	GNMA G2SF 3.50%	3/20/2048	36179TUA1	$	141,172
	GNMA G2SF 4.50%	5/20/2052	36179W5F1		209,923
	Total Wells Fargo Bank, N.A.				351,095

Name and location of safekeeper for above pledged collateral:
BNY Mellon, 101 Barclay Street, 4th Floor East, New York, NY 10286

Total pledged collateral	$	351,095

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Collateral Pledged by Depository For Public Funds
June 30, 2021

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Value June 30, 2021
Wells Fargo Bank, N.A.				
	FNMA	4/1/2031	3138WGV35	$ 557,235
	Total Wells Fargo Bank, N.A.			557,235

Name and location of safekeeper for above pledged collateral:
BNY Mellon, 101 Barclay Street, 4th Floor East, New York, NY 10286

Total pledged collateral				$ 557,235

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Deposit and Investment Accounts
June 30, 2022

Bank Account Type/Name	Wells Fargo Bank	NM Finance Authority	NM State Treasurer	Totals
Non-interest bearing accounts				
Cash and cash equivalents				
G/F operating	$ 1,168,453	$ -	$ -	$ 1,168,453
G/F basic flex plan	4,721	-	-	4,721
G/F payroll	-	-	-	-
Interest bearing accounts				
Cash and cash equivalents				
NMFA debt servicing	-	94,884	-	94,884
NMFA reserve funds	-	14,065	-	14,065
NMFA program funds	-	164,666	-	164,666
Investments				
NMFA reserve funds	-	376,424	-	376,424
NMFA program funds	-	773,484	-	773,484
NM LGIP - G/F operating	-	-	13,200,639	13,200,639
NM LGIP - G/F capital reserve fund	-	-	2,655,999	2,655,999
NM LGIP - SRF endowment	-	-	7,226,509	7,226,509
NM LGIP - SRF levee projects	-	-	1,062,692	1,062,692
NM LGIP - SRF AMAFCA future projects	-	-	407,331	407,331
NM LGIP - SRF Beralillo County future projects	-	-	78,282	78,282
Total	1,173,174	1,423,523	24,631,452	27,228,149
Reconciling items	(123,650)	-	-	(123,650)
Reconciled balance	$ 1,049,524	$ 1,423,523	$24,631,452	27,104,499
Plus petty cash				850
Less restricted cash per statement of net position				(273,615)
Less investments per statement of net position				(13,200,639)
Less restricted investments per statement of net position				(12,580,721)
Cash and cash equivalents per statement of net position				$ 1,050,374

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Deposit and Investment Accounts
June 30, 2021

Bank Account Type/Name	Wells Fargo Bank	NM Finance Authority	NM State Treasurer	Totals
Non-interest bearing accounts				
Cash and cash equivalents				
G/F operating	$ 1,408,818	$ -	$ -	$ 1,408,818
G/F basic flex plan	2,453	-	-	2,453
G/F payroll	-	-	-	-
Interest bearing accounts				
Cash and cash equivalents				
NMFA debt servicing	-	111,164	-	111,164
NMFA reserve funds	-	286,047	-	286,047
NMFA program funds	-	37,312	-	37,312
Investments				
NM LGIP - G/F operating	-	-	14,479,231	14,479,231
NM LGIP - G/F capital reserve fund	-	-	2,406,933	2,406,933
NM LGIP - SRF endowment	-	-	7,226,509	7,226,509
NM LGIP - SRF levee projects	-	-	1,061,271	1,061,271
NM LGIP - SRF AMAFCA future projects	-	-	406,787	406,787
NM LGIP - SRF Beralillo County future project	-	-	78,177	78,177
Total	1,411,271	434,523	25,658,908	27,504,702
Reconciling items	(128,768)	-	-	(128,768)
Reconciled balance	$ 1,282,503	$ 434,523	$25,658,908	27,375,934
Plus petty cash				900
Less restricted cash per statement of net position				(434,523)
Less investments per statement of net position				(25,658,908)
Cash and cash equivalents per statement of net position				$ 1,283,403

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Compliance Section

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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
The Office of Management and Budget 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 in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund that has a legally adopted annual budget of the Middle Rio Grande Conservancy District (the "District"), as of and for the year ended June 30, 2022, 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 15, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 15, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the Middle Rio Grande Conservancy District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 15, 2022

State of New Mexico
Middle Rio Grande Convservancy District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Interior		
Partners for Fish and Wildlife	F16AC00917	15.631
Passed through the National Fish and Wildlife Foundation		
Fish and Wildlife Coordination Act Grants	0801.18.062776	15.517
Fish and Wildlife Coordination Act Grants	2504.18.067387	15.517
Total passed through the National Fish and Wildlife Foundation		
Total U.S. Department of Interior		
Department of Homeland Security		
Passed through the New Mexico Department of Homeland Security and Emergency Management		
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	000-UC48C-00	97.036
Total Department of Homeland Security		
Total federal financial assistance		

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
$ 16,715	$ -	$ -
30,265	-	-
1,549,384	-	-
1,579,649	-	-
1,596,364	-	-
2,727	-	-
2,727	-	-
$ 1,599,091	$ -	$ -

See accompanying notes to schedule of expenditures of federal awards.

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State of New Mexico
Middle Rio Grande Conservancy District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Middle Rio Grande Conservancy District of the State of New Mexico (District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. **Loans**

The District did not expend federal awards related to loans or loan guarantees during the year.

3. **10% de minimus Indirect Cost Rate**

The District did not elect to use the allowed 10% indirect cost rate.

4. **Federally Funded Insurance**

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per schedule of expenditures of federal awards	$	1,599,091
Total expenditures funded by other sources		25,196,637
Total expenditures		26,795,728

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued — Unmodified
2. Internal control over financial reporting:
   a. Material weaknesses identified? — No
   b. Significant deficiencies identified not considered to be material weaknesses? — None noted
   c. Noncompliance material to the financial statements? — No

Federal Awards:

1. Type of auditors' report issued on compliance for major programs — Unmodified
2. Internal control over major programs:
   a. Material weaknesses identified? — No
   b. Significant deficiencies identified not considered to be material weaknesses? — None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)? — No
4. Identification of major programs:

Assistance Listing Number	Federal Program
15.517	Fish and Wildlife Coordination Act Grants

5. Dollar threshold used to distinguish between type A and type B programs: — $750,000
6. Auditee qualified as low-risk auditee? — No

State of New Mexico
Middle Rio Grande Conservancy District
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION IV – FEDERAL AWARD FINDINGS

None noted.

SECTION IV — SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

SECTION V – SUMMARY OF PRIOR YEAR FINDINGS

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

State of New Mexico
Middle Rio Grande Conservancy District
Other Disclosures
June 30, 2022

EXIT CONFERENCE

The contents of this report were discussed on December 12, 2022. The following individuals were in attendance:

Representing Middle Rio Grande Conservancy District

John P. Kelly	Director
Jason Casuga	Chief Executive Officer/Chief Engineer
Pamela Fanelli	Chief Financial Officer/Secretary/Treasurer
Josie Bolden	Controller
Judy McSweeney	Accountant

Representing Carr, Riggs & Ingram, LLC

Alan D. "A.J." Bowers, Jr., CPA, CITP	Partner
Sara Specht, CPA, CFE, CGFM	Manager

AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the District from the original books and records provide to them by the management of the District. The responsibility for the financial statements remains with the District.