

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2011

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
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JUNE 30, 2011

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STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
OFFICAL ROSTER
JUNE 30, 2011

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

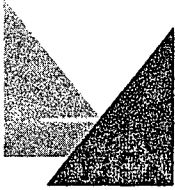
Honorable William Parnall	Division No. 1
Honorable Stan Whitaker	Division No. 2
Honorable M. Monica Zamora	Division No. 3
Honorable Beatrice Brickhouse	Division No. 4
Honorable Ted Baca	Division No. 5
Honorable Neil Candelaria	Division No. 6
Honorable John J. Romero, Jr.	Division No. 7
Honorable Ross C. Sanchez	Division No. 8
Honorable Bob Schwartz	Division No. 9
Honorable Theresa Baca	Division No. 10
Honorable Gerard Lavelle	Division No. 11
Honorable Clay Campbell	Division No. 12
Honorable Valerie A. Huling	Division No. 13
Honorable Reed Sheppard	Division No. 14
Honorable Alan Malott	Division No. 15
Honorable Carl Butkus	Division No. 16
Honorable Nan G. Nash	Division No. 17
Honorable Denise Barela Shepherd	Division No. 18
Honorable Jacqueline D. Flores	Division No. 20
Honorable Alisa Hadfield	Division No. 21
Honorable Deborah Davis Walker	Division No. 22
Honorable Shannon Bacon	Division No. 23
Honorable Kenneth H. Martinez	Division No. 24
Honorable Elizabeth Whitefield	Division No. 25
Honorable Charles Brown	Division No. 26

BOARD OF DIRECTORS

	<u>Position No.</u>	<u>County</u>
Derrick J. Lente, Chairman	7	Sandoval
Cecil Eugene Abeita, Vice-Chairman	1	At-large
Karen Dunning	3	Bernalillo
John Kelly	2	Bernalillo
Adrian Oglesby	4	Bernalillo
Johnny Paiz	5	Valencia
Chris Sichler	6	Socorro

OFFICERS

Subhas K. Shah	Chief Engineer and Chief Executive Officer
Steven Houser	Secretary/Treasurer
Jeanette Bustamante	Administrative Officer
Law & Resource Planning Associates	General Counsel



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Mr. Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities and each major fund of the Middle Rio Grande Conservancy District, State of New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Middle Rio Grande Conservancy District as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of Middle Rio Grande Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedule of funding progress for the retiree health and dental insurance plan on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle Rio Grande Conservancy District's financial statements as a whole. The accompanying schedule of cash accounts and pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash accounts and pledged collateral is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mackie, Reid + Company
Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 29, 2011

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The Middle Rio Grande Conservancy District's discussion and analysis is provided as an overview of the District's financial activities for the fiscal year ending June 30, 2011. This annual report consists of government-wide and fund financial statements. Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements provide information about the District as a whole and present a longer term view of the District's finances. Fund financial statements include the Balance Sheet and Statement of Revenues, Expenses and Changes in Fund Balance. These statements demonstrate how services were financed in the short-term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

This discussion and analysis should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The District's Total Net Assets decreased from \$47,838,357 to \$46,877,550 or 2.0% for the year ended June 30, 2011 when compared to June 30, 2010.
 - Fiscal year 2011 Total Assets decreased from \$52,026,230 to \$51,829,110 or .38% due in part to a decrease of \$269 thousand in current Governmental Contracts Receivable and \$101 thousand increase in District-wide inventory. Combined Cash on Hand and Invested with the Local Government Pool increased by \$191 thousand when compared to June 30, 2010. Total Capital Assets costs increased by \$1.14 million due in large part to the District's investment in Vehicles, Heavy Equipment and Infrastructure (see Footnote 8 – Capital Assets on page 27).
 - Fiscal year 2011 Total Liabilities increased from \$4,187,873 to \$4,951,560 or 18.2% with increases in Voucher Payables, Accrued Compensated Absences (see Footnote 10 – Accrued Compensated Absences on page 28) and Obligation for Postemployment Benefits, Payable After One Year (see Footnote 12 – Other Postemployment Benefits, Annual Expense and Net Obligation on page 29) when compared to June 30, 2010. Accrued Payroll and Related Benefits Payable increased \$37 thousand when compared to June 30, 2010.
- Program Revenues totaled \$ 3.26 million for the year ended June 30, 2011, a decrease of \$902 thousand or 21.7% when compared to June 30, 2010.
 - Water Service Assessments revenue decreased modestly by 2.3 % from \$1.61 million at June 30, 2010 to \$1.57 million in June 30, 2011.
 - Contract revenue from Governmental Entities decreased by \$444 thousand when compared to June 30, 2010. Decreases were seen in the BIA Pueblos, El Vado/San Juan Chama Water Storage revenues, as well as non-recurring revenues generated during fiscal year 2010 from the Albuquerque West Levee project. Increases were seen in revenue earned with the Los Alamos Power and the BOR San Acacia Dam contracts.
 - Total Other Revenue decreased by \$54 thousand when compared to June 30, 2010. Other Non-Contracted Revenue decreased by \$98 thousand compared to June 30, 2010 when the district received \$106 thousand from three separate public auctions of obsolete and worn out equipment. Turnout Installations, Water Bank Administration Fees and Scrap Metal Sales increased by \$46 thousand when compared to June 30, 2010.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

FINANCIAL HIGHLIGHTS (continued)

- Program Expenditures totaled \$16.8 million for the year ended June 30, 2011, an increase of \$139 thousand or .83% when compared to June 30, 2010.
 - Personnel Services (payroll) increased by \$176 thousand or 2.5% due to cost of living and merit increases for the year ending June 30, 2011. Employee Benefits increased by \$51 thousand or 1.4% due to increased retirement contributions as a result of increased payroll expenses and increased healthcare costs.
 - Contractual Operating and Maintenance Service, specifically the District's cost share to maintain the Bureau of Reclamation's El Vado facility decreased by \$451 thousand due a significant annual cost share reduction when compared to fiscal year 2010 and a Bureau of Reclamation overestimate of anticipated costs to maintain the El Vado facility, resulting in cancellation of the 3rd and 4th quarter District payments.
 - Field expenses decreased by \$38 thousand or 1.8% due primarily to the escalating cost of gasoline and diesel fuel which was offset by a decrease in Bosque management expenditures. General and Administrative expenses increased by \$206 thousand due, in part, to the cost of the 2011 Board election.
 - Depreciation Expense increased by \$106 thousand, and Internalized Capital Costs including labor, equipment and materials for the installation of infrastructure gates decreased by \$89 thousand.
- General Revenues totaled \$12.6 million for the year ended June 30, 2011, a decrease of \$179 thousand or 1.4% when compared to June 30, 2010. Ad valorem Assessment revenue decreased by \$191 thousand largely due to the decreased collections in Bernalillo and Sandoval Counties. Delinquency Charges increased by \$13 thousand while Investment Income decreased by \$12 thousand, attributable to overall economic conditions. Gain on Equipment and Property Removal decreased by \$38 thousand while gain on Land Sales and Water Bank Leases increased by \$50 thousand when compared to June 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management Discussion and Analysis and the basic financial statements which include Required Supplementary Information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in greater detail than the government-wide statements.
- Required Supplemental Information
 - A Budgetary Comparison statement comparing actual results with budgeted or anticipated results.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The analysis of the District as a whole begins on page 5. The Statement of Net Assets and Statement of Activities report information about the District as a whole. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets and changes in net assets. You can think of the District's net assets - the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's ad valorem tax base and the condition of the District's facilities, to assess the overall health of the District.

All of the District's services are included within the Statement of Net Assets and Statement of Activities as governmental activities. These services include constructing and maintaining a distribution system for irrigation, maintaining flood protection and river control, water storage facilities and other improvements considered necessary for public health, safety, convenience and welfare. Ad valorem taxes and water service assessments finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one type of fund - governmental. All of the District's basic services are included in governmental funds, which focus on (1) how readily cash and other financial assets can be converted to cash flow, and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services provided. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance District programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds are described in a reconciliation following each fund financial statement.

FINANCIAL ANALYSIS

Statement of Net Assets:

Total Assets at June 30, 2011 when compared to 2010 were \$51,829,110 and \$52,026,230 respectively. The District held land and capital assets of \$20,475,520 and \$20,634,001 net of accumulated depreciation of \$12,817,075 in 2011 and \$11,517,264 in 2010. (Additions to capital assets are further explained in Notes to the Financial Statements, Footnote Number 8 – Capital Assets, page 27.) The total remaining assets decreased modestly to \$31,353,589 as of June 30, 2011 or .12% when compared to \$31,392,229 as of June 30, 2010.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Statement of Net Assets (continued):

Total liabilities as of June 30, 2011 and 2010 were \$4,951,560 and \$4,187,873; with current liabilities of \$1,717,603 compared to fiscal year 2010 of \$1,453,736. The increase was primarily caused by an increase in vouchers payable of \$226 thousand when compared to fiscal year 2010. These vouchers were paid in July 2011. Long-term liabilities increased with balances as of June 30, 2011 and 2010 of \$3,233,957 and \$2,734,137 respectively. The increase was caused by an increase in Obligation for Postemployment Benefits Payable of \$416 thousand and Accrued Compensated Absences of \$83 thousand when compared to June 30, 2010.

As of June 30, 2011 Total Net Assets equaled \$46,877,550 and included \$20,475,520 Invested in Capital Assets, net of related debt (see footnote number 8, Capital Assets, page 27) and Unrestricted Net Assets of \$26,402,030. As of June 30, 2010, Total Net Assets were \$47,838,357 and included \$20,634,001 Invested in Capital Assets, net of related debt and Unrestricted Net Assets of \$27,204,356. As a result, June 30, 2011 Total Net Assets decreased by \$961 thousand when compared to June 30, 2010.

Statement of Activities:

Total revenues, consisting of General and Program Revenue, for the years ended June 30, 2011 and June 30, 2010 were \$15,882,184 and \$16,963,102, a decrease of 6.4%.

Program Revenues decreased by \$902 thousand or 21.7% with 2011 program revenues totaling \$3,260,369 compared to \$4,162,031 in 2010. This decrease was due to a \$444 thousand decrease in Contract Revenue from Governmental Entities; specifically, revenue decreases in BIA Pueblos, El Vado/San Juan Chama Water Storage and the completion of the Albuquerque West Levee Project. With the completion of the Water 2025 project in fiscal year 2010, there was no additional Capital Grant revenue for fiscal year 2011 resulting in a \$406 thousand decrease at June 30, 2011 when compared to June 30, 2010. Water service assessment revenue decreased slightly, with June 30, 2011 revenue totaling \$1,572,705 and June 30, 2010 revenue totaling \$1,609,809 or a decrease of 2.3%.

General Revenue decreased from \$12,801,071 at June 30, 2010 to \$12,621,815 or \$179 thousand. The decrease can be attributed to an overall \$191 thousand decrease in ad valorem assessments revenue; with specific decrease of \$105 thousand and \$44 thousand from Bernalillo and Sandoval counties. Delinquency Charges increased by \$13 thousand when compared to June 30, 2010.

Total Program Expenses remained relatively unchanged in 2011 when compared to 2010 with 2011 expenses totaling \$16,842,991 and 2010 totaling \$16,704,515 or a net increase of \$139 thousand. Review of the categories comprising Program Expenses reveals significant changes in Contractual Operating and Maintenance Services and General and Administrative Expenses (see discussion above); however taken as a whole Program Expenses increased a modest .83%.

Net assets at June 30, 2011 were \$46,877,550 compared to \$47,838,357 for June 30, 2010 or a decrease of 2.0%.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Balance Sheet: Governmental Funds:

Total assets decreased \$37 thousand or .12% with June 30 2011 total assets of \$31,374,011 and June 30, 2010 total assets of \$31,411,342. This decrease was due, in part, to net changes in Governmental Entities receivable (decrease of \$269 thousand, see discussion above); Operating Grants receivable (increase of US Forest Service Grant Receivable of \$99 thousand); and Materials and Supply inventories (increase of \$101 thousand) when compared to June 30, 2010.

Total liabilities decreased by \$49 thousand or .67% due to the changes in Vouchers Payable (increase of \$226 thousand, see above discussion); Accrued Payroll and Related Benefits (increase of \$37 thousand); Damage Deposits (decrease of \$10 thousand) and Deferred Revenue decrease of \$304 thousand (of note was a decrease of \$121 thousand from Bernalillo County Ad Valorem collections and a decrease of \$224 thousand from BIA Pueblos) when compared to June 30, 2010.

The net effect of the changes in Total Assets and Total Liabilities resulted in a net increase in Total Fund Balances of \$12 thousand or .05% with Total Fund Balances of \$24,089,369 at June 30, 2011 and \$24,077,699 at June 30, 2010.

Statement of Revenues, Expenditures, and Changes in Fund Balance: Governmental Funds

Total revenues decreased by \$2.37 million or 12.8% with total revenues of \$16,175,694 at June 30, 2011 and \$18,543,101 at June 30, 2010. The decrease in total revenue is attributable to the completion of the Albuquerque West Levee project, the completion of the Water 2025 project, decrease in revenue from the EV/SJC Water Storage Agreement, and a decrease in BIA Pueblo revenue when compared to June 30, 2010.

Total expenditures decreased by \$820 thousand or 4.8% with total expenditures or \$16,178,940 at June 30, 2011 and \$16,999,470 at June 30, 2010. The decrease is attributable to a \$55 thousand decrease in Current Operations and a decrease of \$761 thousand in Capital Outlay, primarily a decrease in Infrastructure expenditures of \$711 due to the fiscal year 2010 completion of the Water 2025 project.

Fund Balances increased by \$11.7 thousand or .05% with 2011 fund balance of \$24,089,369 compared to the 2010 fund balance of \$24,077,699.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District follows defined procedures in establishing the budgetary data reflected in the financial statements. The District submits a proposed budget to the Governing Board 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. The Governing Board and DFA must approve the budget prior to its legal enactment. The original fiscal year budget as presented was approved by the District's Governing Board and DFA. The District does not adopt a legal budget for the special revenue fund.

The expenditures of the general fund may not legally exceed the budget. Adjustments within the budget line items must be approved by the Board of Directors.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

The budgetary comparisons are presented on a non- GAAP budgetary basis which includes encumbrances as expenditures and does not include capital outlay financed through capital lease transaction sources, but rather includes actual lease payments made. For the fiscal years ended June 30, 2011 and 2010, the District budgeted expenditures to exceed revenues \$2,560,334 and \$2,531,362 respectively. Reserves of cash invested in the Local Government Investment Pool were used to balance the budget and complete the budget process.

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

For the year ended June 30, 2011, actual revenues were \$16,048,828 or \$613,030 less than the budgeted revenue of \$16,661,858. Favorable variances included Delinquency Charges of \$56,133, Investment Income of \$5,368, Contract Revenue from Governmental Entities \$86,733, Operating and Capital Grants of \$26,692 and Other Revenue of \$6,919. Unfavorable variances included Ad Valorem Assessments of \$77,411 and Water Service Assessments of \$717,464. See discussions above for explanations.

For the year ended June 30, 2011, actual expenditures were \$15,954,914 or \$3,267,278 less than the total expenditure budget of \$19,222,192. Favorable variances included Personnel Services of \$876,514, Employee Benefits of \$261,846, Contractual Operating and Maintenance Services of \$123,602, General and Administration Expenses of \$395,919 and Capital Outlay Expenditures of \$81,593. A favorable variance of \$1,527,804 in Field Expenses was due, in large part, to the District meeting its in-kind work obligation of the Bosque Revitalization @ Route 66. (See footnote 15.) There were no unfavorable variances. See discussions above for explanations.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011 and 2010, the District owned \$32,292,595 and \$32,151,265 respectively, of land and capital assets. This included \$15,105,012 in 2011 and \$14,332,928 in 2010 invested in equipment and vehicles; \$3,554,779 in 2011 and \$3,462,439 in 2010 invested in land and buildings; \$982,563 in 2011 and \$981,364 in 2010 invested in office furniture and related equipment. 2011 investment in Computer Software totaled \$202,901 as compared to \$133,196 in 2010. Construction in Progress remained unchanged when compared to 2010 and includes only the Bernardo Siphon project at \$202,785. 2011 Infrastructure assets totaled \$13,244,555 compared to \$13,038,553 when compared to 2010. Major capital additions for the current fiscal year included \$84,475 for heating and air conditioning improvements at the General Office and \$7,875 Socorro Division office remodel; \$9,381 for the installation of a new phone system at the Socorro Division; \$69,705 addition of accounting and assessment software; \$22,280 ADCP water measurement system; \$390,776 in Vehicle purchases; \$463,277 in Heavy Field Equipment purchases; \$11,200 in Shop and Field Equipment; and \$206,002 in Infrastructure upgrades and improvements. Deletions as of June 30, 2011 were \$123,641.

Ending accumulated depreciation as of June 30, 2011 and 2010 was \$12,817,075 and \$11,517,264 respectively. Net book value of capital assets was \$20,475,520 as of June 30, 2011 and \$20,634,001 as of June 30, 2010.

There were no capital leases for the year ended June 30, 2011 or 2010.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

DISTRICT HIGHLIGHTS

Bosque Revitalization at Route 66 Project

The Bosque Revitalization at Route 66 Project was completed at a cost of \$6.6 million with \$1.8 million of its funds coming from the Middle Rio Grande Conservancy District in cash and in-kind services. The Project improved more than 370 acres within the river channel and 273 acres of improved Bosque. In conjunction with U.S. Army Corp of Engineers and sponsored by the MRGCD, the Project also provided fuel reduction and thinning of non-native vegetation, removal of jetty jacked, old concrete rubble, debris and trash. Non-native vegetation was replaced with eco-friendly native plants.

Board of Directors Election – June 2011

In June of 2011, one seat in Bernalillo County, one seat in Valencia County and the At-large seat were on the June 7 ballot. The district utilized the new voting systems, mandated by Senate Memorial 21. Changes included the use of a computerized voting system that allowed constituents to vote at any polling location in the district. Six candidates were vying for the Bernalillo County seat held by Incumbent, August Meyers. Former Albuquerque Metropolitan Arroyo Flood Control Authority Director, John Kelly won the election with 60% of the vote. In Valencia County, Incumbent Janet Jarratt was challenged by Johnny Paiz. Paiz garnered 53% of the vote to win the seat. And, in the At-Large seat voting, Incumbent Eugene Abeita beat out two other candidates while getting 42% of the votes cast.

Bosque Closure – July 2011

For the first time in the 85-year history of the Middle Rio Grande Conservancy District, the Bosque had to be closed to ensure the safety of visitors and the Bosque itself, due to drought conditions and extreme fire danger. A partial closure was ordered by Chief Engineer, Subhas Shah on June 21 restricting use of the Bosque area to paved paths and levee roads. The order was amended to a full-closure on June 28 barring all people from the Bosque area. Only researchers and approved personnel were allowed in enter. The order was lifted on July 25 after a consistent amount of rain had fallen throughout the district.

Water Outlook – March 2011

A dry irrigation season in the latter part of 2010 left the District with slightly more than 105,000 acre feet of irrigation water in storage in northern New Mexico. The District began the 2011 irrigation season imploring irrigators to use water wisely, conserve, share and not waste any water. In turn, the district monitored water releases from the northern reservoirs, very closely. By the close of fiscal 2011, the District has used about 20-thousand acre feet of stored irrigation water, utilizing as much natural flow as possible. The District hopes to finish the 2011 irrigation season with approximately 60-thousand acre feet of water in storage.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,029,802
Investment in Local Government Investment Pool	20,836,472
Current receivables, net:	
Ad valorem assessments, net of allowance of \$128,900	1,894,533
Water service and delinquency charges, net of allowance of \$213,000	298,312
Governmental entities	933,485
Operating grants	105,619
Other	2,162
Prepaid expenses	31,153
Material and supply inventories, at cost	1,074,672
Contract receivable from U.S. Department of the Army, due after one year	3,147,380
Capital assets:	
Land	457,162
Depreciable property, equipment, and infrastructure, net of accumulated depreciation	<u>20,018,358</u>
Total assets	<u>51,829,110</u>
Liabilities	
Vouchers payable	790,444
Accrued payroll and related benefits payable	488,222
Other liabilities	32,907
Accrued compensated absences:	
Payable within one year	406,030
Payable after one year	474,098
Payable to local governments, due after one year	973,770
Obligation for postemployment benefits, payable after one year	<u>1,786,089</u>
Total liabilities	<u>4,951,560</u>
Net assets	
Invested in capital assets	20,475,520
Unrestricted	<u>26,402,030</u>
Total net assets	\$ <u>46,877,550</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
Program Expenses	
Public Works:	
Personnel services	\$ 7,295,052
Employee benefits	3,652,648
Contractual operating and maintenance services	232,972
Field expenses	2,123,931
General and administrative expenses	2,195,103
Depreciation	1,418,740
Internal costs capitalized	<u>(75,455)</u>
Total program expenses	<u>16,842,991</u>
Program revenues	
Charges for services:	
Water service assessments	1,572,705
Contracts with governmental entities	1,381,369
Other revenue	159,603
Operating grants	<u>146,692</u>
Total program revenues	<u>3,260,369</u>
Net program expense	(13,582,622)
General revenues	
Ad valorem assessments	12,240,328
Delinquency charges	179,133
Investment income	52,165
Gain on equipment and property removal	10,214
Gain on land sales and water bank leases	<u>139,975</u>
Total general revenues	<u>12,621,815</u>
Decrease in net assets	(960,807)
Net assets, beginning of year	<u>47,838,357</u>
Net assets, end of year	\$ <u>46,877,550</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,029,747	\$ 1,000,055	\$ 3,029,802
Investment in Local Government Investment Pool	14,246,772	6,589,700	20,836,472
Current receivables, net:			
Ad valorem assessments, net of allowance of \$128,900	1,894,533	-	1,894,533
Water service and delinquency charges, net of allowance of \$213,000	298,312	-	298,312
Governmental entities	933,485	-	933,485
Operating grants	105,619	-	105,619
Interfund receivable	-	20,421	20,421
Other	2,162	-	2,162
Prepaid expenses	31,153	-	31,153
Material and supply inventories, at cost	1,074,672	-	1,074,672
Contract receivable from U.S. Department of Army, due after one year	<u>3,147,380</u>	<u>-</u>	<u>3,147,380</u>
Total assets	<u>\$ 23,763,835</u>	<u>\$ 7,610,176</u>	<u>\$ 31,374,011</u>
Liabilities and fund balances			
Liabilities			
Vouchers payable	\$ 790,444	\$ -	\$ 790,444
Accrued payroll and related benefits payable	488,222	-	488,222
Interfund payable	20,421	-	20,421
Other liabilities	32,907	-	32,907
Payable to local governments, due after one year	973,770	-	973,770
Deferred revenue	<u>4,978,878</u>	<u>-</u>	<u>4,978,878</u>
Total liabilities	<u>7,284,642</u>	<u>-</u>	<u>7,284,642</u>
Fund balances			
Nonspendable			
Inventories	\$ 1,074,672	\$ -	\$ 1,074,672
Prepaid expenses	31,153	-	31,153
Committed	-	7,167,923	7,167,923
Assigned	5,450,732	442,253	5,892,985
Unassigned	<u>9,922,636</u>	<u>-</u>	<u>9,922,636</u>
Total fund balances	<u>16,479,193</u>	<u>7,610,176</u>	<u>24,089,369</u>
Total liabilities and fund balances	<u>\$ 23,763,835</u>	<u>\$ 7,610,176</u>	<u>\$ 31,374,011</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

Total fund balances (Balance sheet)	\$ 24,089,369
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,475,520
Other long-term assets (receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	4,978,878
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued compensated absences	\$ (880,128)
Obligation for postemployment benefits	<u>(1,786,089)</u>
Total liabilities	<u>(2,666,217)</u>
Total net assets (Statement of net assets)	\$ <u>46,877,550</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem assessments	\$ 12,312,639	\$ -	\$ 12,312,639
Water service assessments	1,612,547	-	1,612,547
Delinquency charges	179,133	-	179,133
Investment income	50,368	1,797	52,165
Contracts with governmental entities	1,572,930	-	1,572,930
Operating grants	146,692	-	146,692
Water bank leases	-	93,403	93,403
Land sales	-	46,582	46,582
Other	<u>159,603</u>	<u>-</u>	<u>159,603</u>
 Total revenues	 <u>16,033,912</u>	 <u>141,782</u>	 <u>16,175,694</u>
Expenditures			
Public works:			
Current operations	14,989,424	-	14,989,424
Capital outlays	<u>1,189,516</u>	<u>-</u>	<u>1,189,516</u>
 Total expenditures	 <u>16,178,940</u>	 <u>-</u>	 <u>16,178,940</u>
 Excess (deficit) of revenues over expenditures	 (145,028)	 141,782	 (3,246)
Other financing sources			
Equipment disposition proceeds	<u>14,916</u>	<u>-</u>	<u>14,916</u>
 Increase (decrease) in fund balances	 (130,112)	 141,782	 11,670
 Fund balances, beginning of year	 <u>16,609,305</u>	 <u>7,468,394</u>	 <u>24,077,699</u>
 Fund balances, end of year	 \$ <u>16,479,193</u>	 \$ <u>7,610,176</u>	 \$ <u>24,089,369</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

Increase in fund balances (Statement of revenues, expenditures and changes in fund balances)	\$ 11,670
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures, while in the statement of activities the cost of these assets is capitalized.	1,264,971
Governmental funds do not report depreciation expense which is recorded in the statement of activities.	(1,418,740)
In the statement of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net assets differs from the change in fund balance by the net book value of assets disposed.	(4,712)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, net of prior year effect.	(303,715)
Governmental funds do not report the net change in compensated absences.	(93,940)
Governmental funds do not report the net change in obligation for other postemployment benefits.	(416,341)
Decrease in net assets (Statement of activities)	\$ (960,807)

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues				
Ad valorem assessments	\$ 12,390,050	\$ 12,390,050	\$ 12,312,639	\$ (77,411)
Water service assessments	2,330,011	2,330,011	1,612,547	(717,464)
Delinquency charges	123,000	123,000	179,133	56,133
Investment income	45,000	45,000	50,368	5,368
Contracts with governmental entities	1,486,197	1,486,197	1,572,930	86,733
Operating and capital grants	120,000	120,000	146,692	26,692
Other	<u>167,600</u>	<u>167,600</u>	<u>174,519</u>	<u>6,919</u>
Total revenues	<u>16,661,858</u>	<u>16,661,858</u>	<u>16,048,828</u>	<u>(613,030)</u>
Expenditures				
Current operations				
Personnel services	8,077,626	8,077,626	7,201,112	876,514
Employee benefits	3,498,153	3,498,153	3,236,307	261,846
Contractual operating and maintenance services	356,573	356,573	232,971	123,602
Field expenses	3,511,414	3,511,414	1,983,610	1,527,804
General and administration expense	2,608,886	2,608,886	2,212,967	395,919
Capital outlays	<u>1,169,540</u>	<u>1,169,540</u>	<u>1,087,947</u>	<u>81,593</u>
Total expenditures	<u>19,222,192</u>	<u>19,222,192</u>	<u>15,954,914</u>	<u>3,267,278</u>
Excess (deficiency) of revenues over expenditures	\$ (<u>2,560,334</u>)	\$ (<u>2,560,334</u>)	\$ <u>93,914</u>	\$ <u>2,654,248</u>
Prior year fund balance budget basis	\$ <u>15,744,840</u>			

See accompanying notes to financial statements

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(1) Organization

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

(2) Summary of Significant Accounting Policies

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

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

Other significant accounting policies of the District are discussed below.

(a) Reporting Entity

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

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information based on the District as a whole.

The statement of net assets incorporates long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets net of related debt; if any, restricted net assets (none held at June 30, 2011), and unrestricted net assets.

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

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.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(b) Government-Wide and Fund Financial Statements (continued)

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The District's activities are all governmental activities and the District did not have proprietary or fiduciary funds during the year ended June 30, 2011. There are no nonmajor funds.

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

(c) Fund Accounting

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

- General Fund – This fund is the operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Fund – This fund accounts for the receipt of monies from the sale of District land and the proceeds of District water bank leases. Withdrawals are limited to the direct expenses associated with the sale of land.

(d) Basis of Accounting

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

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(d) Basis of Accounting (continued)

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

- Employees' annual leave is recorded when paid.
- Capital lease expenditures are recorded when payment is due.
- Other post employment benefits are recorded when paid.

(e) Inventories

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

(f) Capital Assets

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

The majority of the District's infrastructure was constructed or acquired prior to July 1, 1980, and in accordance with GASB Statement 34, has not been valued. Infrastructure which was built and improved since July 1, 2002 has been capitalized. The District has determined that no infrastructure which meets the District's definition 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 in accordance with GASB Statement 51, 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.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

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

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

(g) Compensated Absences

Qualified employees are entitled to accumulate annual leave which is payable to the employee upon termination or retirement. Employees earn annual leave at the rate of twelve days per year for the first five years of service, eighteen days per year for service of five to twenty years, and twenty four days per year for over twenty years of service. The maximum accrual of annual leave is 240 hours unless approved by the District's Chief Engineer. At June 30, 2011, accrued vested annual leave totaled \$588,301.

Qualified employees are entitled to accumulate sick leave, which may be converted upon retirement or termination to annual leave. Employees earn sick leave at the rate of twelve days per year. Employees who have twenty years of service and who are eligible for the Public Employee's Retirement Act benefits may convert sick leave to annual leave at the rate of three for two. Otherwise, sick leave hours in excess of 250 hours may be converted to annual leave hours at the rate of three for one. Sick leave hours in excess of 500 hours may be converted to annual leave hours at the rate of two for one. Sick leave hours in excess of 800 hours may be converted to annual leave hours at the rate of three for two. At June 30, 2011, accrued vested sick leave totaled \$253,956.

Qualified employees may elect to treat overtime hours worked as compensatory time. At June 30, 2011, accrued vested compensatory leave totaled \$17,250. Qualified employees are granted one personal holiday per calendar year. At June 30, 2011, accrued vested personal holiday leave totaled \$20,621.

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

(h) Other Postemployment Benefits

As further described in Note 12 to the financial statements, the District provides postemployment benefits (OPEB) to qualifying employees upon their retirement.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(i) 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.

(j) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including workers' compensation insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage during the years ended June 30, 2011, 2010 and 2009.

(k) Fund Balances

The District reports fund balances in the following categories:

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

The District's Board of Directors is its highest level of decision-making authority. In order to establish committed fund balances, the Board would be required to take formal action, such as passing a Board resolution. Management of the District is authorized to designate fund balances that the District intends to use for specific purposes.

As of June 30, 2011, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2012 (\$3,249,419), and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2012 (\$1,560,873), and the amount of encumbered funds pertaining to the budget for the year ended June 30, 2011 (\$640,440). The special revenue assigned fund balance includes accumulated amounts from collections on District water bank leases.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(k) Fund Balances (continued)

The District through Board Resolution has earmarked funds received from the sale of excess District land to form an endowment for the District. The special revenue fund balance of \$7,167,923 has been reported as a committed fund balance.

(l) Budgets and Budgetary Accounting

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

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

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

(m) Use of Estimates

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

(3) Stewardship, Compliance, and Accountability

For the year ended June 30, 2011, general fund budgeted expenditures exceeded budgeted revenues by \$2,560,334. Prior year cash and investment balances for the general fund were used to complete the budget process.

(4) Cash and Cash Equivalents

Cash and cash equivalents represents bank accounts and repurchase agreements.

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(4) Cash and Cash Equivalents (continued)

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

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

At June 30, 2011, the carrying amount of the District's cash deposits was \$1,538,467 and the bank balance on these accounts was \$1,604,767. Funds in the amount of \$749,855 were exposed to custodial risk due to being uninsured and collateralized with securities held by the banks' trust departments not in the District's name.

Daily, surplus funds are used to purchase an undivided fractional interest in the principal amount of government securities and the following day resold with an interest factor. At June 30, 2011, the carrying amount of the District's repurchase agreement was \$1,490,335. The fair market value of the purchased federal agency securities amounted to \$1,520,142. The carrying amount of the repurchase agreement is subject to custodial credit risk as purchased securities are held by the counterparty's agent not in the District's name.

(5) Investments

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

The District's investment in the Local Government Investment Pool at June 30, 2011 consists of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (Pool). Participation in the Pool is voluntary. Investments (\$20,836,472) are stated at fair value based on quoted market value as of June 30, 2011.

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

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in the Pool is subject to credit risk. The Pool is rated AAAM by Standard and Poor's.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(5) Investments (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2011, the Pool's WAM is 36 days.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2011, the Pool has no foreign currency risk, as all investments in the Pool are in U.S. dollar-denominated assets.

The District records the interest earned by the special revenue fund's investment in the Pool in the general fund. This amounted to \$17,020 during the year ended June 30, 2011. The total interest earned in the Pool was \$49,625 for the year ended June 30, 2011.

In September, 2008, the Pool's investment in a certain money market fund was downgraded to a Standard & Poor's rating of D and was frozen, and in February, 2009, the Pool placed this investment in a separate account, designated the Reserve Contingency Fund (Fund). The Fund is in the process of liquidation and is considered a non-performing asset since it is no longer earning interest. During the year ended June 30, 2009, the District recorded an investment loss of \$86,342, representing a write down of the Fund to its fair value based on estimated future liquidating distributions. During the year ended June 30, 2010, the District received liquidating distributions and recorded an investment income gain of \$20,996, to adjust the fair value of the Fund based on estimated future liquidating distributions. During the year ended June 30, 2011, the District received liquidating distributions of \$20,915. As of June 30, 2011, the District estimates the fair value of the Fund is zero due to the uncertainty of the timing and amount of possible future liquidating distributions.

(6) Water Service and Ad Valorem Assessments

Water service assessments and ad valorem assessments are levied each calendar year on November 1, based on serviceable, irrigable acreage, as determined by the District, and taxable property valuations as determined by the four county assessors within the District boundaries, respectively. Water service and ad valorem assessments are due in two equal installments on December 1 and May 1 following the levy, after which they become delinquent. At June 30, 2011, 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.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(6) Water Service and Ad Valorem Assessments (continued)

In the government-wide financial statements, water service and ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers. In the fund financial statements, water service assessments collected by the District and ad valorem assessments remitted by the county assessors to the District within thirty days following year end are recorded as revenue; all water service and ad valorem assessments not collected or remitted within thirty days following year end are reported as deferred revenue. For the year ending June 30, 2011, water service assessments were assessed and levied at a uniform rate per acre of \$28.00 based on acreage approximating 55,000 acres. Ad valorem assessments were assessed and levied at a rate of \$3.97 per \$1,000 of valuation of residential property and \$4.96 per \$1,000 valuation of nonresidential property based on valuations determined by the county assessors. Valuations for current and prior years are continually being modified pursuant to present laws, rules and regulations.

(7) Contract Receivable

In October, 2007, the District entered into agreements with the U. S. Department of the Army (government) under which the District designed and constructed improvements to the Albuquerque west levee (levee) which will enable the levee to be certified to the U. S. Army Corps of Engineers. The total cost of the project was \$6,463,173, which is included in infrastructure in the accompanying statement of net assets. The government share is 75% of the total cost and is to be reimbursed with funds pursuant to Section 593 of the Water Resources Development Act of 1999, Public Law 106-53, as amended. As of June 30, 2011, the District has received reimbursement from the government totaling \$1,700,000. The remaining balance due from the government of \$3,147,380 is reported in the accompanying statement of net assets and balance sheet as a contract receivable due after one year since it is expected that the remaining funds will be authorized and appropriated by the federal government over a number of budget years subsequent to June 30, 2011.

In December, 2007, the District entered into agreements with the Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA) and the County of Bernalillo (County), whereby AMAFCA and County each provided \$1 million of the project cost. The agreement states at such time as the District is reimbursed by the government for the federal share of the project cost, AMAFCA and County will receive a pro rata share of the reimbursement. A payable to AMAFCA and County in the amount of \$973,770, due after one year, is included in the accompanying statement of net assets and balance sheet. It represents AMAFCA and County's share of the contract receivable from the government described above.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(8) Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Capital assets:				
Land	\$ 457,172	\$ -	\$ 10	\$ 457,162
Buildings and improvements	3,005,267	92,350	-	3,097,617
Office furniture and equipment	981,364	9,381	8,182	982,563
Computer software	133,196	69,705	-	202,901
Engineering equipment	125,919	22,280	-	148,199
Communication equipment	12,845	-	-	12,845
Motor vehicles and trailers	5,704,323	390,776	58,915	6,036,184
Weed and pest control equipment	345,376	-	4,029	341,347
Heavy field equipment	7,962,934	463,277	50,850	8,375,361
Shop and field equipment	181,531	11,200	1,655	191,076
Infrastructure	13,038,553	206,002	-	13,244,555
Construction in progress	<u>202,785</u>	<u>-</u>	<u>-</u>	<u>202,785</u>
Total capital assets	<u>32,151,265</u>	<u>1,264,971</u>	<u>123,641</u>	<u>33,292,595</u>
Less accumulated depreciation:				
Buildings and improvements	1,148,860	71,383	-	1,220,243
Office furniture and equipment	818,751	36,769	4,004	851,516
Computer software	2,077	23,928	-	26,005
Engineering equipment	125,091	1,344	-	126,435
Communication equipment	11,605	291	-	11,896
Motor vehicles and trailers	4,255,120	412,018	58,915	4,608,223
Weed and pest control equipment	261,930	21,044	4,029	278,945
Heavy field equipment	3,891,054	474,534	50,850	4,314,738
Shop and field equipment	140,499	8,499	1,131	147,867
Infrastructure	<u>862,277</u>	<u>368,930</u>	<u>-</u>	<u>1,231,207</u>
Total accumulated depreciation	<u>11,517,264</u>	<u>1,418,740</u>	<u>118,929</u>	<u>12,817,075</u>
Capital assets, net	\$ <u>20,634,001</u>	\$ (<u>153,769</u>)	\$ <u>4,712</u>	\$ <u>20,475,520</u>

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(9) Deferred Revenue

As described in Notes 2(d) and 6 to the financial statements, receivables which are not considered available are recorded as deferred revenue in the fund financial statements. Deferred revenue at June 30, 2011 is attributable to the following receivables:

Ad valorem assessments	\$ 1,587,139
Water service and delinquency charges	284,647
Governmental contracts	<u>3,107,092</u>
	<u>\$ 4,978,878</u>

(10) Long-Term Liabilities

Accrued Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2011:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
Compensated absences payable				
Payable within one year	\$ 395,569	\$ 690,334	\$ 679,873	\$ 406,030
Payable after one year	<u>390,619</u>	<u>83,479</u>	<u>-</u>	<u>474,098</u>
	<u>\$ 786,188</u>	<u>\$ 773,813</u>	<u>\$ 679,873</u>	<u>\$ 880,128</u>

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

(11) Retirement Plan

Plan Description

Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(11) Retirement Plan (continued)

Funding Policy

Plan members are required to contribute 3.2875% of their gross salary. (The District pays 75% of the employee contribution rate of 13.15%). The District is required to contribute 19.0125% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were \$1,351,011, \$1,339,716, and \$1,293,851, respectively, which equal the amount of the required contributions for each fiscal year.

(12) Other Postemployment Benefits

Plan Description

The District has adopted a policy whereby the District will contribute to the cost of the premium for health and dental insurance coverage for eligible retirees and their eligible dependents until such time as the retiree is eligible for Medicare coverage. The retirees are responsible for obtaining their own health and dental insurance coverage. The District's policy constitutes a single-employer defined benefit healthcare plan. During the year ending June 30, 2011, the District's contribution was 80% of the cost.

Eligible retirees are those who have retired from the District through normal retirement or disability and do not qualify for Medicare. Upon the death of an eligible retiree, his or her spouse and eligible dependents who do not qualify for Medicare are eligible for the benefit with the same terms and conditions. As of June 30, 2011 and 2010, there were twenty four retirees receiving benefits.

Funding Policy

Costs of the plan are financed on a pay-as-you-go basis. For the year ended June 30, 2010, the District contributed \$142,534 under the plan.

Annual Expense and Net Obligation

The District's annual OPEB expense is calculated based on its annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's OPEB expense for the year ending June 30, 2011 and changes in the obligation.

Annual required contribution	\$ 497,236
Interest on net obligation	61,639
Contributions made from general fund	<u>(142,534)</u>
Increase in obligation	416,341
Obligation, beginning of year	<u>1,369,748</u>
Obligation, end of year	\$ <u>1,786,089</u>

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(12) Other Postemployment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011 is as follows. The actuarial accrued liability (AAL) of \$5,420,838 is equal to the unfunded actuarial accrued liability (UAAL) as the plan has no assets. The funded ratio is 0%.

Covered payroll for the year ending June 30, 2011 is \$7,201,112. UAAL is 75% of covered payroll.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and plan members and include the types of benefits provided at the time of the actuarial valuation and the sharing of benefit costs between the District and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the AAL, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation July 1, 2011, the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after five years. The District's UAAL is being amortized using the level dollar, open amortization method. The remaining amortization period at June 30, 2011 is 26 years.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(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 river habitat and an endangered species. These actions were in regards to the U.S. government agencies' obligations and authorities to provide protection for the silvery minnow including river flow to accommodate their existence. Initial Court rulings had the Bureau of Reclamation discretion to reduce deliveries of certain available water under its contracts with the District to comply with the Endangered Species Act. This ruling was dismissed on appeal. Currently, parties to those proceedings are abiding by a biological opinion issued by the U.S. Fish and Wildlife Service. The river flow requirements of this prior year biological opinion to accommodate the silvery minnows' continued existence have been met during the existing and previous irrigation seasons. In September 2011, the District received a report on an updated biological opinion and is in the process of assessing and responding to the contents of the report. It is the expectation of the District that the requirements of the biological opinions and operating practices to accommodate those requirements will not significantly impact the future operations of the District.

Title Claim

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

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

In March, 2010, the Circuit Court ruled that the District Court erred in granting summary judgment to the U.S. government and should have simply dismissed the District's quiet title suit due to statute of limitation requirements. The Circuit Court further stated that their ruling did not settle the title dispute between the District and the U.S. government and that the dispute remains to be settled by possible future judicial resolution. The District continues to assert its ownership of all District facilities. Absent U.S. Congressional action, further title dispute resolution is dependent on future U.S. government legal proceedings, if any. The District financial statement presentation reflects title resting with the District.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(14) Budgetary Basis to GAAP Basis Reconciliation

The reconciliation from the budgetary basis of accounting to the GAAP basis of accounting for the year ended June 30, 2011 is as follows:

	<u>General Fund</u>
Excess of revenues over expenditures on a non-GAAP budgetary basis	\$ 93,914
Prior year encumbrances	(864,466)
Current year encumbrances	<u>640,440</u>
Deficit of revenues over expenditures on a GAAP basis	\$ (<u>130,112</u>)

(15) Commitments

Bosque Revitalization @ Route 66

In July, 2008, the District entered into a project cooperation agreement with the U.S. Department of the Army (government) under which the government agreed to perform certain work related to the environmental revitalization of the Bosque consisting of improving and restoring the ecosystem and constructing recreational features. The District was required to contribute 25% of the ecosystem restoration cost and 50% of the recreation cost. The construction was completed in April 2010. In September, 2011, the government formally transferred responsibility for the operation and maintenance of the project to the District. In November, 2011, the government completed its interim accounting and cost share analysis for the project. In its interim accounting, the government reported the total projected ecosystem restoration cost was \$5,640,583 and the total projected recreation cost was \$793,546. Based on this accounting, the District's total cost share is estimated at \$1,806,919. A \$302,000 cash contribution was remitted during the year ended June 30, 2009. The District has submitted documentation for in-kind work performed in the amount of \$1,551,279. The government advised the District that it had accepted the District's in-kind work, and that the District had met its requirements for its cost share of the project. Monitoring of the project by the government will continue for a period of time. At the conclusion of the monitoring, the government will complete a final accounting, and will advise the District of any additional costs required.

Middle Rio Grande Restoration Project

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(15) Commitments (continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Encumbrances outstanding of \$640,440 at June 30, 2011 are included in assigned fund balances in the accompanying balance sheet.

(16) Subsequent Events

Management has evaluated subsequent events through November 29, 2011, the date which the financial statements were available to be issued.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH AND DENTAL INSURANCE PLAN
YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
07/01/10	\$ -0-	\$ 5,420,838	\$ 5,420,838	0%	\$ 7,201,112	75%
07/01/09	-0-	6,481,060	6,481,060	0%	7,103,713	91%
07/01/08	-0-	6,481,060	6,481,060	0%	6,885,040	94%
07/01/07	-0-	4,564,597	4,564,597	0%	6,358,723	72%

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

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH ACCOUNTS AND PLEDGED COLLATERAL
JUNE 30, 2011

	<u>Special Revenue Fund</u>		<u>Total</u>
	<u>Water Bank</u>	<u>Endowment Fund Savings</u>	
<u>Bank of America</u>			
Balance per books	\$ <u>441,132</u>	\$ <u>558,923</u>	\$ <u>1,000,055</u>
Balance per bank	\$ <u>440,932</u>	\$ <u>558,923</u>	\$ 999,855
Less: FDIC coverage			<u>250,000</u>
Total uninsured public funds			<u>749,855</u>
50% collateral requirement			374,928
Pledged securities			<u>787,229</u>
Over (under)			\$ <u>412,301</u>

Collateralized by FNMA and FMAC issues as follows:

<u>Cusip #</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral Value</u>
31391R3B6	\$ 429,459	5.00%	12/01/2017	\$ 465,511
31410GZC0	67,931	5.50%	03/01/2037	74,163
3128M7ZW9	57,609	5.50%	11/01/2039	62,849
31404LV80	52,569	5.50%	06/01/2033	57,473
31415VYB5	35,402	5.50%	10/01/2035	38,683
31405FH39	20,961	5.50%	01/01/2033	22,916
31371KVP3	14,867	5.50%	10/01/2022	16,296
Twenty-four similar securities				<u>49,338</u>

Collateral held by Bank of New York Mellon, NY, NY. \$ 787,229

	<u>General Fund</u>	
<u>Wells Fargo Bank NM, NA</u>		
Balance per books	\$ <u>538,412</u>	
Balance per bank	\$ <u>604,912</u>	\$ 604,912
Less: FDIC coverage		<u>604,912</u>
Total uninsured public funds		-
50% collateral requirement		-
Pledged securities		-
Over (under)		\$ <u>-</u>

(continued)

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF CASH ACCOUNTS AND PLEDGED COLLATERAL
JUNE 30, 2011

Wells Fargo Bank NM, NA, Repurchase Agreement

Balance per agreement	\$ 1,490,335
102% collateral requirement	1,520,142
Pledged securities	<u>1,520,142</u>
Over (under)	\$ <u> -</u>

Collateralized as follows:

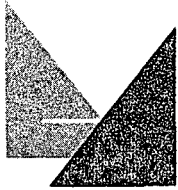
GN-I 781215, CUSIP #36225BK49, Face value \$1,325,010, 6.5%, Due 09/01/2029	\$ <u>1,520,142</u>
-----------------------------------------------------------------------------	---------------------

Collateral held by Wells Fargo Bank Northwest, NA, Salt Lake City, Utah

Reconciliation to financial statements:

Bank of America	\$ 1,000,055
Wells Fargo Bank, NM	2,028,747
Cash on hand	<u>1,000</u>
	\$ <u>3,029,802</u>

(concluded)



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

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

The Judges of the District Court of the
Second Judicial District of the
State of New Mexico
and
The Board of Directors of the
Middle Rio Grande Conservancy District
and
Mr. Hector H. Balderas, State Auditor

We have audited the financial statements of the governmental activities and each major fund of the Middle Rio Grande Conservancy District, State of New Mexico (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as 6-1, 10-1, 11-1, and 11-2, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

We noted a certain matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item 4-1.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the New Mexico State Auditor, the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mackie, Reid + Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 29, 2011

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Reported Not Repeated

- 3-6 Endowment Fund (Other)
- 8-1 Budget/Board Reporting (Material Weakness)
- 9-1 Procurement/Payroll/Disbursements (Other)
- 10-2 Grant Agreement Match Documentation (Other)
- 10-3 Grant Reporting (Material Weakness)
- 10-4 Water 2025 In-kind Match (Material Weakness)

Prior Year Findings Modified and Repeated

- 4-1 Personnel Policy (Other)
- 6-1 Water Service Charge Assessments (Significant Deficiency)
- 10-1 Inventory (Significant Deficiency)

Current Year Findings

- 11-1 Land Sales (Significant Deficiency)
- 11-2 Procurement/Payroll/Per Diem/Disbursements (Significant Deficiency)

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Modified and Repeated

4-1/Personnel Policy (Other)

Criteria

The District has adopted a personnel policy (Rule 29) whose purpose is to establish consistent, basic policies and practices concerning relations with its employees. Certain of these personnel policies were reviewed as part of our audit concerning payroll transactions.

Section 10 of the personnel policy, entitled "Compensation and Benefits", establishes policies and practices regarding compensation and benefits. Section 10.1 states in part "The compensation plan is intended to provide fair compensation...in relation to the duties and responsibilities of all positions...To this end the Chief Engineer will direct the timely comparative studies of all the factors affecting the level of salaries and make such changes as may be justified. Such adjustments will be made by increasing or decreasing the salary ranges provided in the salary schedule. The rate of pay for each employee will be adjusted in conformance with the adjustment of the salary range for each position." Pay rate changes and approvals are documented with a personnel action form.

Section 9 of the personnel policy, entitled, "Classification" provides for procedures whereby the Chief Engineer may recommend and take action on new, revised or elimination of existing positions.

Condition

Payroll disbursements included instances where the rate of employee pay exceeded the maximum pay range for the applicable position grade in the current salary schedule. In each instance, the pay rate had been approved through the completion of a properly prepared personnel action form.

Effect

Certain personnel policies and practices as noted have not have been fully followed.

Cause

The established compensation plan of salary ranges does not in all instances address the length of employee tenure, which may result in employees whose rate of pay exceeds the maximum rate for their position grade.

Recommendation

We recommend the District revise its personnel policy to address circumstances in which it may be appropriate for an employee rate of pay to exceed the maximum pay range for the applicable position grade in the salary schedule and to address how these circumstances are to be handled.

Response

In January 2011, the District contracted with an outside consulting firm to evaluate employee salaries and make recommendations based on similar entities and similar job duties. The evaluation and recommendations should be completed by the end of the calendar year and presented to the governing board for final approval. Resolution is on-going.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Modified and Repeated

6-1/ Water Service Charge Assessments (Significant Deficiency)

Condition

A summary of delinquent water service charges for the prior four years follows:

<u>Year</u>	<u>Gross Water Service and Delinquency Charges</u>	<u>Financial Reporting Allowance</u>	<u>Net Receivable per Financial Statements</u>	<u>Amounts Greater than Four Years Old</u>
2011	\$ 511,312	\$ 213,000	\$ 298,312	\$ 172,571
2010	544,048	189,000	355,048	167,577
2009	457,653	134,000	323,653	147,910
2008	473,446	168,000	305,446	177,491

Existing District rules provide that no water will be delivered to water users who are delinquent in payment of water service charge assessments. Pursuant to New Mexico state statute, water service charges constitute prior liens on the real property on which they are levied. The District also has a water service charge rule which governs irrigable versus non-irrigable land.

During the last fiscal year, the water assessment office has continued efforts to collect delinquent water service charge assessments as well as to reduce the number of delinquent accounts. These efforts included filing liens in certain circumstances, contacting delinquent property owners directly, and mailing annual delinquency letters. Following the reclassification hearing in September, 2011, the District removed from its books delinquent water service and delinquency charges in the amount of \$20,239.

The District has not created and adopted a comprehensive written policy which would provide guidance and direction to the water assessment office in addressing delinquent assessments. This includes both accounts which recently became delinquent and those which have been delinquent for a number of years.

Criteria

Good internal controls dictate the existence of policies, procedures and practices which oversee monitoring and collection of delinquent water service charge assessments. The dollar amount and number of delinquent accounts should not increase due to lack of follow-up.

Effect

The reported balance of delinquent water service charge assessments may be overstated. Absence of complete policies, practices and procedures may subject the District to loss of resources.

Cause

Comprehensive written policies, practices and procedures have not been adopted with respect to management of delinquent accounts.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Modified and Repeated

6-1/ Water Service Charge Assessments (Significant Deficiency) (continued)

Recommendation

We recommend the District establish comprehensive written policies and procedures with respect to management of delinquent water service charge assessments. These policies and procedures should provide specific guidance to the water assessment office and address the varied circumstances which cause an account to become delinquent. We commend the continuing efforts made in pursuing resolution of delinquent accounts. These efforts should be part of the comprehensive written policies and procedures.

Response

The Assessments Department continues to reduce the dollar amount of delinquent water service charge assessments and the number of outstanding delinquent accounts. These efforts include an annual reclassification hearing, filing of liens, contacting delinquent property owners, and mailing of delinquency letters. Comprehensive written policies, practices, and procedures require the assistance of legal counsel and the support of the District's governing board. Upon agreement of the parties, a policy and procedure manual will be prepared. Resolution is on-going

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Modified and Repeated

10-1/Inventory (Significant Deficiency)

Criteria

Inventories of supplies and materials are significant assets of the District. The District is constantly purchasing items which are added to inventory and consuming inventory items in field operations.

Policies and procedures related to inventory should include the proper pricing of inventory for financial reporting purposes. Pricing practices impact period expenditure amounts for applicable field expenditure categories. Policies and procedures should also include monitoring the purchases of inventory as well as the quantity of inventory on hand in order to ensure the quantities of inventory on hand are appropriate and reasonable.

Condition

A summary of inventory by location for the prior four years follows:

<u>Year</u>	<u>Cochiti</u>	<u>Albuquerque</u>	<u>Belen</u>	<u>Socorro</u>	<u>Total</u>
2011	\$ 100,101	\$ 465,064	\$ 333,452	\$ 176,055	\$ 1,074,672
2010	92,241	470,920	261,503	148,571	973,235
2009	92,178	457,305	247,387	170,417	967,287
2008	84,725	418,924	239,743	106,918	850,310

We selected a judgmental sample of 45 inventory items in order to verify the proper pricing of the items in the final extended physical inventory. Discrepancies between the unit cost at which the inventory was valued at June 30, 2011, and the correct unit cost were found in 3 of the items, resulting in an adjustment which decreased the financial statement inventory value by approximately \$13,000.

We selected another judgmental sample of 21 inventory items with a total value of approximately \$451,000. We compared the quantity on hand as of June 30, 2011 with the quantity used during the year ended June 30, 2011. Based on the quantity used during the year, the quantity on hand at June 30, 2011 for nine of the items amounted to more than three years usage. There had been no usage during the current or prior year for two additional items.

Effect

Errors in proper pricing of inventory make it difficult for management to properly determine inventory losses and may also result in overstating or understating the inventory items consumed in field operations. Without appropriate monitoring, the amount of inventory on hand may exceed quantities that will be expected to be used within a reasonable amount of time.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Findings Modified and Repeated

10-1/Inventory (Significant Deficiency) (continued)

Cause

The District corrected most but not all of the discrepancies in average cost noted during the prior audit. The District may not have available certain inventory reports that would more easily enable it to evaluate the quantity of particular items on hand prior to making additional purchases of the same items.

Recommendation

We recommend the District reemphasize the importance of monitoring inventory quantities and dollars.

Response

As recommended, the District will reemphasize the importance of monitoring inventory quantities and dollars. The District will work with division managers to improve inventory planning and ordering issues by monitoring on-hand inventory quantities, usage and the purchase of winter rehab inventory. Excess inventory will be evaluated and transferred between divisions when appropriate. Slow moving/obsolete inventory will be considered for auction. The District will work with its software provider to create inventory reports that would more easily and effectively provide solutions to inventory management problems (i.e. exception reporting - either through current software reporting or exportable Crystal Reports). Resolution is on-going.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Current Year Findings

11-1/Land Sales (Significant Deficiency)

Criteria

The District has established rules and procedures governing the disposition of land (Rule 21) which comply with New Mexico statutes in regard to disposition of property by local public bodies.

By New Mexico statute and Rule 21, no property with a total value in excess of \$5,000 may be disposed of without the approval of the local government division of the Department of Finance and Administration of the State of New Mexico. Further, New Mexico statute states that no sale of real property for consideration of more than \$25,000 is valid unless it is approved prior to its effective date by the State Board of Finance.

Rule 21 also requires notice to adjacent property owners of the District's intent to sell and requires selecting the appraiser from a list of approved appraisers.

Condition

During the current fiscal year, the District made three sales of land; two of the sales were for more than \$5,000 but less than \$25,000 and one of the sales was for more than \$25,000. We did not see evidence which documented obtaining the approvals required by Rule 21 and New Mexico statute. Further, we did not see evidence which documented giving notice to adjacent property owners or evidence documenting the selection of the appraiser for the three sales.

Effect

The District has not fully complied with the requirements applicable to the sale of land.

Cause

Although Rule 21 includes a land sale checklist, the checklist was not fully completed for the three land sales.

Recommendation

We recommend that for each land sale, the District fully comply with the rules and procedures established by Rule 21, and that a land sale checklist be completed prior to each sale. If an item on the checklist is not applicable to a particular sale, we recommend that it be so noted with an explanation. We recommend that the checklist be approved upon completion by a supervisory position.

Response

As recommended, the District will fully comply with the rules and procedures established by Rule 21 for each land sale. If an item on the checklist is not applicable it will be so noted with an explanation. The Chief Engineer or his designate will approve the completed checklist. The finding is considered resolved.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Current Year Findings

11-2/Procurement/Payroll/Disbursements, Including Travel and Per Diem (Significant Deficiency)

Criteria

The District has established procurement policies which comply with state procurement law. The District has established additional internal control policies and practices concerning procurement, payroll, and disbursements. In addition the District's disbursements for travel and per diem reimbursements must comply with state travel and per diem regulations.

Condition

We selected a judgmental sample of 40 disbursements in order to verify compliance with the procurement policies. We noted that the purchase of workers compensation and general liability insurance through the District's agent of record took place without the District issuing requests for competitive sealed bids or proposals.

District policy is to enter repairs and repair parts in the equipment repair and maintenance records. 24 of the above disbursements were for equipment repairs or repair parts. Seven of these disbursements totaling \$21,821 were not found to have been entered in the repair and maintenance records.

We reviewed the supporting reports for one month's fuel usage disbursement. We noted certain unusual transactions for which we noted no evidence of control procedures obtaining explanations for these transactions. Our review identified justifiable and appropriate reasons for the transactions.

We selected a judgmental sample of 25 disbursements for payment of travel and per diem. We noted the rate allowed for reimbursement of travel was not changed effective January 1, 2011 (from 55 cents to 50 cents per mile), as required by state travel and per diem regulations. This has resulted in overpayments to employees and board members for transactions after the effective date.

We selected a judgmental sample of 25 payroll disbursements. There was one instance of a pay increase which lacked one approval signature and three instances in which there was no copy in the personnel file of the employee's enrollment in life/AD&D insurance. In addition, there were two instances in which there was a difference between the employee's time card and the hours paid; one instance resulted in overpayment of 15 minutes and one instance resulted in underpayment of 15 minutes. There were two instances in which the employee failed to clock out with no follow up documentation noted.

Effect

The District may not have fully complied with state procurement law, state travel and per diem regulations, or the District's internal control policies and practices.

Cause

- The District has followed the position that the insurance agent of record requests bids or proposals from competing insurers on the District's behalf and thus the District has not requested bids or proposals from competing insurance agents.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Current Year Findings

11-2/Procurement/Payroll/Disbursements, Including Travel and Per Diem (Other) (continued)

Cause (continued)

- Numerous District employees participate in the expenditure processes and all may not have complied with all aspects of the District's internal control policies, procedures, and practices relative to procurement, payroll, and disbursement.
- Since the purchases on the District's fuel cards represent a large expenditure, the internal control procedures in place are to review the purchases for propriety by identifying unusual transactions. However, evidence of inquiries, responses, and determinations made in this review are not always maintained.
- The New Mexico Department of Finance and Administration did not send out a reminder that the mileage reimbursement rate changed based on the Internal Revenue Service reimbursement rate. The District did not follow up. The rate was never adjusted.
- Many of the District's employees have been employed by the District for a number of years. The District does not require employees to re-enroll in benefit programs each year and enrollment forms which date back several years may be difficult to locate.

Recommendation

The District should continue to emphasize procedures and practices relative to established procurement, payroll, and disbursement policies. The District should consider documentation self audits as applicable. The District should evaluate their procurement policy and documentation requirements as it relates to insurance procurement applicable to insurance agents and insurers. The internal control procedures should fully document inquiries and evaluations of responses in regard to unusual fuel card transactions. The mileage reimbursement rate should be determined each year and District employees and Board members should be advised of the rate.

Response

- **Workers Compensation & General Liability Insurance:**
As recommended, the District will, going forward, issue Request for Proposals when purchasing workers compensation and general liability insurance. It should be noted that long standing District practice has been to task the insurance agent of record to solicit, on behalf of the District, insurance companies specializing in water irrigation and maintenance indemnification, and with the approval of the District, select the company that most benefits the needs of the District. Of additional note, is that the District was unable to identify specific state purchasing statutes prohibiting a political agency or sub-division from using the services of an agent. Nor was the District able to find a reported case in which the practice had been challenged. The finding is considered resolved.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Current Year Findings

11-2/Procurement/Payroll/Disbursements, Including Travel and Per Diem (Other) (continued)

Response (continued)

- **Repair and Repair Parts Not Being Entered into the Maintenance Records:**
The disbursements referred to were attributed to the Legacy accounting system implemented in 1987 and in use for the first two months of the District's fiscal year. The Legacy system necessitated a manual entry into the maintenance records when repairs or repair parts were purchased. Consequently, entry into the maintenance records was sometimes overlooked in error. With the implementation of the District's new MUNIS accounting system, internal control greatly improved, allowing for automatic interfacing between the purchasing and maintenance records. Upon receiving the mechanic's equipment repair or parts request, the Equipment Repairs & Transport (ER&T) division clerk assigns a work order to the mechanics request. The ER&T purchase clerk creates a purchase requisition using the mechanics request and the assigned work order number. A purchase request is not created unless it is accompanied by a mechanics requisition and work order number. Once the purchase requisition with the accompanying work order number is input into the purchasing system, the purchase information automatically "flows" to the maintenance records, eliminating the need for manual entry. The purchase requisition, mechanics request and the work order number are then reviewed by the ER&T division manager and sent for purchase order approval and creation. The finding is considered resolved.
- **Fuel Usage Disbursement:**
The District is requiring weekly division submission of fuel tickets which are reconciled weekly to the fuel vendor download. Vendor alerts are reviewed daily and exceptions are emailed to the division managers daily. Division manager responses and District follow-up is timelier, with the accounting supervisor intervening when necessary and escalation to the Secretary Treasurer when called for. The finding is considered resolved.
- **Travel Mileage Disbursement:**
As recommended, the District has implemented .50 cents per mile reimbursement consistent with state statute. The annual rate will be determined every January 1 consistent with state statute and the Governing Board will be advised. The finding is considered resolved.
- **Payroll Disbursement and Documentation:**
Regarding the one pay increase lacking approval signature, the District obtained the appropriate signature, and provided it to the auditor. Regarding the three instances in which personnel files lacked employee enrollment forms in life/AD&D insurance, the District was unable to locate the enrollment forms. Of note is that the three instances occurred in 2006 when the District changed life/AD&D carriers. Within the files referred to above, vendor coverage confirmation notices were present. Regarding the two instances in which there was a difference between the employee's time card and the hours paid, and the two instances in which the employee failed to clock out with no follow up documentation, the District has made the decision to use the employee's Kronos time and attendance punch detail report, rather than the manually completed time sheet as the source document of record. The Kronos time and attendance punch detail report is reconciled to the employee leave slips and is verified and approved by employee and the division manager signatures. The finding is considered resolved.

STATE OF NEW MEXICO
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
EXIT CONFERENCE
JUNE 30, 2011

An exit conference was held on, November 10, 2011. Attending were:

Middle Rio Grande Conservancy District
Eugene Abeita, Vice-Chairman
John Kelly, Board Member
Chris Sichler, Board Member
Subhas Shah, Chief Executive Officer
Jeanette Bustamante, Administrative Officer
Steven Houser, Secretary/Treasurer
Melin Villegas-Vargas, Accounting Manager

Mackie, Reid & Company
Jim Van Der Geest, CPA
Annette Gruber, CPA

Financial Statement Preparation

The Middle Rio Grande Conservancy District contracts with an outside independent public accountant to prepare the financial statements.