



REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS

June 30, 2023

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State of New Mexico
Mid-Region Council of Governments
Official Roster
June 30, 2023

Barbara Baca	Chair
Greggory Hull	Vice-Chair
Katherine Bruch	Board Member
David Heil	Board Member
Donald Lopez	Board Member
Lawrence Rael	Board Member
Tammy Fiebelkorn	Board Member
Isaac Benton	Board Member
Pat Davis	Board Member
Dan Lewis	Board Member
Klarissa Pena	Board Member
Brook Bassan	Board Member
Bruce Thomson	Board Member
Barbara Petersen	Board Member
Robert Noblin	Board Member
Jack Torres	Board Member
Julie Morgas Baca	Board Member
Steven Michael Quezada	Board Member
Russell Walkup	Board Member
Mel Knight	Board Member
Vandora Casados	Board Member
Jerry Powers	Board Member
Amy May	Board Member
Charles Griego	Board Member
Erin Callahan	Board Member
Ron Williams	Board Member
M. Steven Anaya	Board Member
Ted Hart	Board Member
Leon Otero	Board Member
Robert Tyler	Board Member
Cassandra D'Antonio	Board Member
Jake Bruton	Board Member
Maxine Wilson	Board Member
Janice Barela	Board Member
Gerard Saiz	Board Member
Jhonathan Aragon	Board Member
Robert Chavez	Board Member
Emily Sanchez	Board Member

Report of Independent Auditors

Board of Directors
State of New Mexico
Mid-Region Council of Governments

Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds for State of New Mexico Mid-Region Council of Governments (MRCOG) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MRCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of State of New Mexico Mid-Region Council of Governments as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRCOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MRCOG's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of MRCOG's proportionate share of net pension liability, schedule of MRCOG's contributions and notes, schedule of MRCOG's proportionate share of net OPEB liability – NMRHCA, schedule of MRCOG's contributions and notes – NMRHCA, and schedule of MRCOG's net OPEB liability and related ratios – life insurance OPEB (collectively, required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise State of New Mexico Mid-Region Council of Governments' basic financial statements. The description of nonmajor special revenue funds, combining balance sheets - nonmajor governmental funds, combining statements of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, schedule of pledged collateral, and the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of State of New Mexico Mid-Region Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of State of New Mexico Mid-Region Council of Governments' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of New Mexico Mid-Region Council of Governments' internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 1, 2023

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

The management's discussion and analysis of Mid-Region Council of Governments of New Mexico (MRCOG) provides an overview of MRCOG's mission and function, recent program opportunities, and a brief discussion of the basic financial statements.

Council's Mission and Function

MRCOG is an association of local governments and special units of government within the State's Planning District Number 3. The MRCOG was established December 11, 1969 under the authority of the Regional Planning Act and under the Joint Powers Act. Municipal and county government agencies in Bernalillo, Sandoval, Torrance, and Valencia Counties, plus Edgewood in Santa Fe County, are members, as well as groups like Albuquerque Public Schools and the Middle Rio Grande Conservancy District. Elected and appointed representatives of these organizations serve on the MRCOG's Board of Directors and give the organization direction.

MRCOG was created to conduct and coordinate regional planning. It provides a forum where local elected officials from across the region can meet and discuss issues that do not begin or end at artificial, political boundaries. MRCOG's role is advisory with the primary task to provide member governments with data and plans to allow them to make better informed decisions. MRCOG's mission is to strengthen individual communities by identifying and initiating regional planning strategies through open dialogue and collaboration between the member governments.

MRCOG provides a variety of services to its member governments and is funded through a combination of participation fees, federal, state, and other grants. Services provided include planning and technical assistance in the fields of transportation, economic development, ordinances, zoning, job training and other special projects as requested.

Transportation Planning

MRMPO

MRCOG is the Metropolitan Planning Organization (MPO) for the Albuquerque Metropolitan Planning Area (AMPA). It is responsible for performing federally required transportation planning in collaboration with local governments and the public. Project areas of MRMPO include traffic data collection, analyses of current conditions, and forecasts of future conditions. Core products include the Metropolitan Transportation Plan, the long-range transportation plan for the region, and the Transportation Improvement Program, which lists all transportation projects that will receive federal transportation funds over the next six years.

MRRTPO

Much of the transportation planning support we provide to the non-metropolitan areas of the region occurs through the Rural Transportation Planning Organization. The MRRTPO strives to provide a regional forum for cooperative decision making about transportation issues, and to serve as liaison between the local governments and the New Mexico Department of Transportation. MRCOG provides planning, technical, and staff support to the RTPO.

**State of New Mexico
Mid-Region Council of Governments
Management’s Discussion and Analysis
Year Ended June 30, 2023**

Regional Planning

MRRPP

The Regional Planning Program (RPP) provides planning assistance, technical services, and capacity building to the entire MRCOG region with a focus on rural communities. The RPP acts as an extension of local government staff by assisting communities with identifying funding sources for various projects, with grant applications, writing comprehensive plans, mapping, gathering data, revising ordinances, and conducting special studies. RPP staff also offer workshops and trainings for commissioners, elected officials, and local government staff. These often focus on current planning trends or other issues communities in the Mid-Region are facing. RPP staff offer an annual planning commissioners’ workshop as well as individual trainings upon request.

Water Planning

RPP staff also oversee the Mid-Region Water Resources Board as well as the Mid-Region Levee Task Force.

Economic Development

Workforce Connection of Central New Mexico

The Workforce Connection of Central New Mexico is dedicated to developing this region’s economic strength by providing businesses and job seekers a comprehensive, integrated system of employment, education, and training services. WCCNM’s Business and Career Centers allow employers to access pre-screened job applicants, and to obtain support setting up a job fair. Job seekers can get their skills assessed for job placement, get help with resume writing, job searching, and interview techniques, and learn about educational opportunities.

Economic Development District

The four-county MRCOG area is a designated Economic Development District. This means that MRCOG assists with preparation of EDA funding applications and prepares a summary of the region’s economic conditions with recommended activities for growth and development in a report known as the Comprehensive Economic Development Strategy. Economic development staff work closely with the many economic development organizations and local governments in the region— providing vital statistical data and technical assistance to identify community development needs.

Rio Metro Regional Transit District

The Rio Metro Regional Transit District is the primary transit provider for Bernalillo, Sandoval and Valencia Counties, offering transit service between municipalities and across county lines. Rio Metro manages the New Mexico Rail Runner Express commuter rail which provides service seven days a week to 15 stations along a 100-mile corridor from Belen to Santa Fe. It also operates and/or funds select bus routes in the tri-county area. Rio Metro’s services link to other statewide destinations and transportation markets, including Taos and Socorro.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to MRCOG's basic financial statements. MRCOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of MRCOG's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of MRCOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of MRCOG is improving or deteriorating. The statement of activities presents information showing how MRCOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as expenses pertaining to earned but unused vacation and sick leave. All of MRCOG's activities are reported under governmental-type activities and there are no component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MRCOG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MRCOG's funds are all considered to be governmental funds.

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MRCOG maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Rio Metro Operations, and Workforce Grants, and Unified Work Planning Program Rio Metro all of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Budgetary Comparisons

MRCOG maintains budgets for informational and managerial purposes. The budgets are approved by MRCOG's Board of Directors on an annual basis. As required by the Office of the State Auditor Rule, 2 NMAC 2.2, a budgetary comparison statement has been provided for the general fund and other major funds in the basic financial statements.

Financial Analysis

Overall Financial Position

MRCOG's overall financial position continues to remain strong. MRCOG is the largest Metropolitan Planning Organization (MPO) in the state and the federal funds to administer the MPO have remained stable. MRCOG is also a Regional Transportation Planning Organization (RTPO) and a Local Planning Agency (LPA). Much of MRCOG's growth over the last 10 years is attributable to Rio Metro, which continues to expand its role in the region. MRCOG's other planning activities continue to grow as MRCOG expands its services and expertise in the region.

Over the past thirty years, the number of funds (projects) administered by MRCOG has increased from twelve (12) during fiscal year 1992 to twenty-three (23) during fiscal year 2023. Total expenditures over the same period, including capital projects, have increased from \$1.3 million during the fiscal year ending June 30, 1992 to \$16.4 million during the year ended June 30, 2023. Over \$9.3 million of current year expenditures relate to Rio Metro's operations and \$2.9 million relate to Workforce Grants.

MRCOG's net deficit decreased by \$238,382 compared to the prior year, from \$(15,551,022) as of June 30, 2022 to \$(15,312,640) as of June 30, 2023. MRCOG's net deficit relates primarily to net pension liability and net Other Post-Employment Benefits (OPEB liability). These liabilities consist primarily of MRCOG's share of PERA's pension liability and NMRHCA's OPEB liability required to be recorded on MRCOG's financials to comply with general accepted accounting principles.

MRCOG's total governmental funds expenditures increased from \$14.6 million during fiscal 2022 to \$16.7 million during fiscal 2023, a change of approximately \$2.1 million. The change primarily relates to the following: approximately \$900 thousand relates to an increase for Rio Metro due to salary increases related to market adjustments in order to retain bus drivers, approximately \$400 thousand increase relates to adding the Adult and Dislocated Worker program to Workforce grants in prior year and current year being a full year, and \$300 thousand increase relates to two new State grants received and expended for fiscal year 2023.

MRCOG adopted GASB No. 96 during the year ended June 30, 2023. This statement requires a change in its method of accounting for subscription-based information technology arrangements (SBITA). As a result of the adoption of the standard, MRCOG recognized SBITA asset and liabilities of \$134,865 as of July 1, 2022.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

Net Position

The table below summarizes MRCOG's net position for the years ended June 30, 2023 and 2022. Net position is presented on a consolidated basis and is reflected on a full accrual basis. MRCOG did not have any business-type activities.

	Governmental Activities June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 3,518,370	\$ 4,155,302
Capital assets, net of accumulated depreciation and amortization	<u>3,240,821</u>	<u>3,136,908</u>
Total assets	<u>6,759,191</u>	<u>7,292,210</u>
DEFERRED OUTFLOW OF RESOURCES	<u>4,420,738</u>	<u>3,070,950</u>
LIABILITIES		
Current liabilities	2,554,775	3,763,432
Long-term liabilities	<u>19,997,758</u>	<u>15,765,394</u>
Total liabilities	<u>22,552,533</u>	<u>19,528,826</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,940,036</u>	<u>6,385,356</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	2,164,718	1,908,831
Unrestricted	<u>(17,477,358)</u>	<u>(17,459,853)</u>
Net deficit	<u>\$ (15,312,640)</u>	<u>\$ (15,551,022)</u>

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

Changes in Net Position

MRCOG's change in net position for fiscal year 2023 was an increase of \$238,382. The table below reflects the changes in net position.

	Governmental Activities Year Ended June 30,	
	<u>2023</u>	<u>2022</u>
EXPENSES	\$ (16,679,718)	\$ (14,197,131)
CHARGES FOR SERVICES	10,063,109	9,025,935
OPERATING GRANTS	<u>6,852,900</u>	<u>5,784,552</u>
	236,291	613,356
INTEREST	<u>2,091</u>	<u>68</u>
CHANGE IN NET POSITION	238,382	613,424
NET DEFICIT		
Beginning of year	<u>(15,551,022)</u>	<u>(16,164,446)</u>
End of year	<u>\$ (15,312,640)</u>	<u>\$ (15,551,022)</u>

**State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023**

The following table relates to the revenues and expenditures of the governmental funds:

	Governmental Funds Year Ended June 30,	
	2023	2022
REVENUES		
Federal	\$ 5,394,605	\$ 4,729,582
State	468,756	114,104
Local	674,687	850,328
Miscellaneous	892,042	472,703
Reimbursement of Rio Metro costs	9,485,919	8,643,770
Interest	2,091	68
Total revenues	16,918,100	14,810,555
EXPENDITURES		
Operations	6,062,219	5,182,755
Contractual	321,456	526,796
Expenses reimbursed by Rio Metro	9,475,826	8,446,237
Capital outlay	347,674	269,896
Debt service	149,497	169,034
Total expenditures	16,356,672	14,594,718
EXCESS OF EXPENDITURES OVER REVENUES	561,428	215,837
FUND BALANCES		
Beginning of year	1,131,103	915,266
End of year	\$ 1,692,531	\$ 1,131,103

Analysis of Major Funds and Accounts

General Fund (Fund 010)

Revenues in the General Fund increased by approximately \$269 thousand from fiscal 2022 to fiscal 2023. Expenditures decreased approximately \$196 thousand from fiscal 2022 to fiscal 2023. The change in revenues and expenditures was caused by actual indirect costs incurred being less than indirect costs allocated in fiscal 2022. MRCOG's federally negotiated indirect cost rate is fixed with carry forward. Therefore, MRCOG's rate will always be adjusted from one fiscal year to the next based on the amounts carried forward, which will always cause a difference between actual indirect costs incurred and indirect costs allocated. This method is acceptable per federal regulations and is approved by MRCOG's federal oversight agency.

State of New Mexico
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Management's Discussion and Analysis
Year Ended June 30, 2023

Analysis of Major Funds and Accounts (continued)

Rio Metro Operations

Rio Metro operations reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by Rio Metro. During fiscal year 2023, Rio Metro expenditures totaled \$9.384 million, an increase of approximately \$938 thousand from fiscal year 2022. This increase relates to increases to salaries due limited salary adjustments and increasing pay to bus drivers to adjust to market conditions.

Workforce Grants

Workforce grants reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by WCCNM. During fiscal year 2023, Workforce grants expenditures totaled \$2.9 million, an increase of approximately \$229 thousand from fiscal year 2022. This increase is primarily due to the Adult and Dislocated Worker Program, which MRCOG took over on August 26, 2021. The prior year was the start-up year and had only 10 months of activity, whereas fiscal year 2023 reported a full year of activity.

Unified Work Planning Program Rio Metro

Rio Metro and other local government's participation in the MPO and other transportation planning activities. During fiscal year 2023, MPO-Rio Metro expenditures totaled \$91 thousand, a decrease of approximately \$110 thousand from fiscal year 2022. This decrease is primarily due to staff being diverted to projects in the MPO-FHWA and MPO-FTA.

Budgetary Highlights

- General Fund – The favorable budget variance is about 9% of the budget. The variance is primarily professional services coming in under budget because the contractor did not work every month per their contract. The remaining budget variance is not significant.
- Rio Metro Operations – Rio Metro's favorable budget variance is about 7% of the budget and is not a substantial difference.
- Workforce Grants – Workforce's favorable budget variance is about 28% of the budget. The variance is primarily due to the AE/FA budget being artificially high. The A/E contract was reduced to \$1.3 million due to resources being allocated to the other programs (One-Stop Operator, Adult & Dislocated Workers, and Pathway Home grant) but the budget was not reduced to reflect the change.
- Unified Work Planning Program Rio Metro - MPO-Rio Metro's favorable budget variance is 75% of budget. This is due to staff being diverted to projects in the MPO-FHWA and MPO-FTA.

Fund Balance

MRCOG's governmental funds reported a combined fund balance of \$1.693 million as of June 30, 2023. This fund balance is approximately \$561 thousand higher than the previous year. The main contributing factor is the increase in the indirect cost rate due to MRCOG's indirect cost plan methodology. MRCOG's budget is designed to fully utilize resources in providing services to its members and their communities, while maintaining a prudent reserve for unexpected downturns. MRCOG has committed \$500 thousand of the \$1.693 million fund balance as a reserve for unexpected downturns and claims.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2023

Capital Assets

MRCOG's investment in capital assets as of June 30, 2023 totaled \$3.2 million. Capital assets consist mainly of office equipment, vehicles, a right to use assets (leases) and a building. Depreciation and amortization expense of \$243,761 was recorded during fiscal 2023. Capital asset additions of \$347,674 were made during fiscal 2023, and \$5,169 of deletions. Additions consist mainly of equipment and right-to-use assets and deletions consist of equipment.

Long-Term Debt

Long-term debt consists of the leases and MRCOG's building at 809 Copper Avenue NW, Albuquerque, NM 87102 which is financed with an agreement with Bernalillo County. As of June 30, 2023, MRCOG had total long-term debt totaling approximately \$1,063 million.

Economic Factors and Next Year's Budgets

As state and federal resources continue to be squeezed, MRCOG's budget for the next year is also being challenged. The 2024 budget is substantially the same as the 2023 budget.

MRCOG continues its metropolitan transportation planning, regional transportation planning, and local government planning programs through agreements with other governmental agencies, including the State of New Mexico. MRCOG is providing administrative and operational support for NMDOT and Rio Metro for operation of the commuter rail service. MRCOG's membership remains constant and is always seeking further ways to help its member governments plan for the future.

Request for Information

This financial report is designed to provide a general overview of MRCOG's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, 809 Copper Avenue NW, Albuquerque, NM 87102.

State of New Mexico
Mid-Region Council of Governments
Statement of Net Position – Governmental Activities
June 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,497,075
Other receivables	285,411
Grant reimbursements receivable	648,881
Related-entity receivables	1,054,014
Prepaid expenses	32,989
Total current assets	<u>3,518,370</u>
Noncurrent assets	
Capital assets not being depreciated	683,800
Capital assets, net of accumulated depreciation and amortization	2,557,021
Total noncurrent assets	<u>3,240,821</u>
TOTAL ASSETS	<u>6,759,191</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pensions	3,156,449
Deferred outflow of resources related to OPEB - NM Retiree Health Care Authority	1,120,171
Deferred outflow of resources related to OPEB - life insurance plan	144,118
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>4,420,738</u>
LIABILITIES	
Current liabilities	
Accounts payable	768,539
Accrued payroll liabilities	575,408
Accrued compensated absences	575,411
Unearned grant advances	481,892
Current portion of lease liabilities	13,180
Current portion of notes payable	140,345
Total current liabilities	<u>2,554,775</u>
Long-term liabilities	
Accrued compensated absences	499,653
Net pension liability	14,202,793
Net OPEB liability - NM Retiree Health Care Authority	3,562,794
Total OPEB liability - life insurance plan	809,940
Notes payable, net of current portion	922,578
Total long-term liabilities	<u>19,997,758</u>
TOTAL LIABILITIES	<u>22,552,533</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to pensions	345,406
Deferred inflow of resources related to OPEB - NM Retiree Health Care Authority	3,319,093
Deferred inflow of resources related to OPEB - life insurance plan	275,537
TOTAL DEFERRED INFLOW OF RESOURCES	<u>3,940,036</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	2,164,718
Unrestricted deficit	<u>(17,477,358)</u>
NET DEFICIT	<u><u>\$ (15,312,640)</u></u>

State of New Mexico
Mid-Region Council of Governments
Statement of Activities – Governmental Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
General activities	\$ 895,488	\$ 577,190	\$ 892,042	\$ 573,744
Reimbursement of Rio Metro costs	9,485,919	9,485,919	-	-
Transportation planning	2,272,554	-	1,971,667	(300,887)
Economic development	358,744	-	487,673	128,929
Employment development	2,922,053	-	2,922,053	-
Other planning programs	744,960	-	579,465	(165,495)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 16,679,718</u>	<u>\$ 10,063,109</u>	<u>\$ 6,852,900</u>	236,291
INTEREST				2,091
CHANGE IN NET DEFICIT				<u>238,382</u>
NET DEFICIT				
Beginning of year				<u>(15,551,022)</u>
End of year				<u>\$ (15,312,640)</u>

State of New Mexico
Mid-Region Council of Governments
Balance Sheet – Governmental Funds
June 30, 2023

	Special Revenue Funds					Total Governmental Funds
	General	Rio Metro Operations	Workforce Grants	Unified Work Planning Program Rio Metro	Other Non-Major Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 1,497,075	\$ -	\$ -	\$ -	\$ -	\$ 1,497,075
Other receivables	7,140	-	-	-	278,271	285,411
Grants reimbursements receivables	-	-	6,041	-	642,840	648,881
Interfund receivables	961,388	-	-	347,643	136,613	1,445,644
Related entity receivables	-	802,030	241,844	-	10,140	1,054,014
Prepaid expenses	32,989	-	-	-	-	32,989
Total assets	\$ 2,498,592	\$ 802,030	\$ 247,885	\$ 347,643	\$ 1,067,864	\$ 4,964,014
LIABILITIES						
Accounts payable	\$ 666,030	\$ -	\$ 8,819	\$ -	\$ 93,690	\$ 768,539
Accrued payroll liabilities	140,031	291,620	73,149	2,919	67,689	575,408
Interfund payable	-	510,410	165,917	-	769,317	1,445,644
Unearned grant advances	-	-	-	344,724	137,168	481,892
Total liabilities	806,061	802,030	247,885	347,643	1,067,864	3,271,483
FUND BALANCES						
Committed	500,000	-	-	-	-	500,000
Unassigned	1,192,531	-	-	-	-	1,192,531
Total fund balances	1,692,531	-	-	-	-	1,692,531
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,498,592	\$ 802,030	\$ 247,885	\$ 347,643	\$ 1,067,864	\$ 4,964,014
RECONCILIATION						
Total fund balances - governmental funds						\$ 1,692,531
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported						3,240,821
Lease liabilities related to capital assets						(13,180)
Notes payable related to capital assets						(1,062,923)
Deferred outflow of resources related to pensions						3,156,449
Deferred outflow of resources related to OPEB - NM Retiree Health Care Authority						1,120,171
Deferred outflow of resources related to OPEB - life insurance plan						144,118
Deferred inflow of resources related to pensions						(345,406)
Deferred inflow of resources related to OPEB - NM Retiree Health Care Authority						(3,319,093)
Deferred inflow of resources related to OPEB - life insurance plan						(275,537)
Net pension liability, long-term liabilities						(14,202,793)
Net OPEB liability, long-term liabilities - NM Retiree Health Care Authority						(3,562,794)
Net OPEB liability, long-term liabilities - life insurance plan						(809,940)
Compensated absences						(1,075,064)
Net deficit - government-wide statements						\$ (15,312,640)

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds					Total Governmental Funds
	General	Rio Metro Operations	Workforce Grants	Unified Work Planning Program Rio Metro	Other Non-Major Governmental Funds	
REVENUES						
Intergovernmental						
Federal grants and contracts	\$ -	\$ -	\$ 2,922,053	\$ -	\$ 2,472,552	\$ 5,394,605
State of New Mexico grants	-	-	-	-	468,756	468,756
Local	577,190	-	-	-	97,497	674,687
Miscellaneous	892,042	-	-	-	-	892,042
Reimbursement of Rio Metro costs	-	9,384,043	-	101,876	-	9,485,919
Interest	2,091	-	-	-	-	2,091
Total revenues	<u>1,471,323</u>	<u>9,384,043</u>	<u>2,922,053</u>	<u>101,876</u>	<u>3,038,805</u>	<u>16,918,100</u>
EXPENDITURES						
Current						
Operating	71,864	-	2,922,053	-	3,068,302	6,062,219
Contractual	13,500	-	-	-	307,956	321,456
Expenditures reimbursed by Rio Metro	-	9,384,043	-	91,783	-	9,475,826
Capital outlay	118,927	-	-	-	228,747	347,674
Debt service	-	-	-	-	-	-
Principal and interest	149,497	-	-	-	-	149,497
Total expenditures	<u>353,788</u>	<u>9,384,043</u>	<u>2,922,053</u>	<u>91,783</u>	<u>3,605,005</u>	<u>16,356,672</u>
DEFICIENCY OF REVENUES TO EXPENDITURES						
	<u>1,117,535</u>	<u>-</u>	<u>-</u>	<u>10,093</u>	<u>(566,200)</u>	<u>561,428</u>
OTHER FINANCING SOURCES/USES						
Operating transfers in	-	-	-	-	566,200	566,200
Operating transfers out	(556,107)	-	-	(10,093)	-	(566,200)
Total other funding sources/uses	<u>(556,107)</u>	<u>-</u>	<u>-</u>	<u>(10,093)</u>	<u>566,200</u>	<u>-</u>
NET CHANGES IN FUND BALANCE						
	561,428	-	-	-	-	561,428
FUND BALANCE						
Beginning of year	<u>1,131,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,131,103</u>
End of year	<u>\$ 1,692,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,692,531</u>
RECONCILIATION						
Net changes in fund balances - governmental funds						\$ 561,428
Amounts reported for governmental activities in the statement of net position are different because:						
Change in pension obligations						(882,168)
Change in OPEB obligations						460,132
Reduction of lease liabilities						12,538
Reduction in notes payable						139,436
Depreciation and amortization expensed in the statement of activities						(243,761)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported						347,674
Change in accrued vacation and sick liabilities						(156,897)
Change in net deficit - governmental activities						<u>\$ 238,382</u>

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: General Fund – Governmental Funds
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Local	\$ 577,187	\$ 577,187	\$ 577,190	\$ 3
Interest and other	<u>300,000</u>	<u>300,000</u>	744,636 *	<u>444,636</u>
Total revenues	<u>877,187</u>	<u>877,187</u>	<u>1,321,826</u>	<u>444,639</u>
CURRENT EXPENDITURES				
Operating	75,000	75,000	71,864	3,136
Contractual	25,000	25,000	13,500	11,500
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>118,927</u>	<u>6,073</u>
Total current expenditures	<u>225,000</u>	<u>225,000</u>	<u>204,291</u>	<u>20,709</u>
Operating transfers out	<u>(640,558)</u>	<u>(697,174)</u>	<u>(556,107)</u>	<u>141,067</u>
Net change in fund balance	11,629	(44,987)	561,428	606,415
Fund balance required to balance budget	<u>1,131,103</u>	<u>1,131,103</u>	<u>1,131,103</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>\$ 1,142,732</u>	<u>\$ 1,086,116</u>	<u>\$ 1,692,531</u>	<u>\$ 606,415</u>

* Debt service principal and interest expenditures are included with interest and other revenues.

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: Major Fund – Rio Metro Operations
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Reimbursement of Rio Metro costs	\$ 10,119,711	\$ 10,119,711	\$ 9,384,043	\$ (735,668)
CURRENT EXPENDITURES				
Incurred on behalf of Rio Metro	<u>10,119,711</u>	<u>10,119,711</u>	<u>9,384,043</u>	<u>735,668</u>
CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: Major Fund – Workforce Grants
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Federal revenue	\$ 3,911,257	\$ 4,079,893	\$ 2,922,053	\$ (1,157,840)
CURRENT EXPENDITURES				
Operating	<u>3,911,257</u>	<u>4,079,893</u>	<u>2,922,053</u>	<u>1,157,840</u>
CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: Major Fund – Unified Work Planning Program Rio Metro
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Reimbursement of Rio Metro costs	\$ 400,000	\$ 400,000	\$ 101,876	\$ (298,124)
CURRENT EXPENDITURES				
Incurred on behalf of Rio Metro	400,000	400,000	91,783	308,217
Operating transfers out	<u>-</u>	<u>-</u>	<u>(10,093)</u>	<u>(10,093)</u>
CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of Entity

State of New Mexico Mid-Region Council of Governments (MRCOG) is an association of local governments within the State's Planning District Number 3. MRCOG was established on December 11, 1969, under the authority of the Regional Planning Act and under the Joint Powers Act. Membership is available to all governmental units within District 3, which is composed of four counties: Bernalillo, Sandoval, Torrance, and Valencia.

MRCOG provides a variety of services to its member governments and is funded through a combination of participation fees, federal, state, and other grants. Services provided include planning and other technical assistance in the fields of transportation, economic development, ordinances, zoning, and other special projects as requested.

The accounting policies of MRCOG conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

GAAP establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. MRCOG is the primary government and is not a component unit of any other reporting entity. MRCOG does not have any component units.

Basic Financial Statements

The basic financial statements include both government-wide (based on MRCOG as a whole) and fund financial statements. The focus is on either MRCOG as a whole or major individual funds (fund financial statements). The government-wide statements for MRCOG include only government type activities which are reflected on an economic resource measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, charges for services, operating and capital grants. MRCOG reports several functions as reflected in the Statement of Activities. The program revenues consist of grants received for specific projects.

The net cost is normally covered by general revenues. MRCOG does currently employ indirect cost allocation systems which are charged to direct expenses in the Statement of Activities. This government-wide focus is more on the sustainability of MRCOG as an entity and in aggregate financial position resulting from the activities of the current fiscal period. The government-wide financial statements are prepared in accordance with GAAP.

Interfund activity is eliminated in the government-wide financial statements.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation – Governmental Funds

The fund financial statements present the major funds in the governmental category. Nonmajor funds are summarized into a single column. The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how MRCOG's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page of each statement, which briefly explains the adjustments necessary to transform the fund based financial statements to the governmental-wide presentation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function. Program revenues derive directly from the program itself or from parties outside the reporting governments citizenry or funding sources as a whole include 1) charges for services from MRCOG's contracts with others 2) grants that are restricted to meeting the operations or capital requirements of a particular function such as administration and planning functions.

The financial transactions of MRCOG are recorded in individual funds, each of which is considered a separate accounting entity. The various fund types are reported in the fund financial statements, as follows:

Governmental Fund Types

Governmental funds are used to account for MRCOG's expendable financial resources and related liabilities. The measurement focus is based upon determination of changes in financial position. The following are MRCOG's governmental fund types and major funds:

- *General Fund* – The general fund is the general operating fund of MRCOG. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - *Rio Metro Operations (Program No. 49, 89, & 490)* – A special revenue fund that was created by a professional services agreement with Rio Metro. It includes the personnel costs of the operation and administration and other various costs of operating and administering Rio Metro's transit, rail, and planning activities.
 - *Workforce Grants (Programs No. 20, 21, 24, & 26)* – MRCOG serves as the administrative entity for the Workforce Connection of Central New Mexico (WCCNM). WCCNM administers the Federal Workforce Investment Opportunity Act (WIOA) program to ensure that quality workforce development services are provided in the Central Local Area, and other grants.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

- *Unified Work Planning Program Rio Metro* – Special revenue fund are used to account for Rio Metro and other local government's participation in the MPO and other transportation planning activities.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual and both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally, sixty days). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned grant advances by the recipient. Grant revenues are not recognized until eligibility requirements are met.

New Accounting Standard

During the year ended June 30, 2023, MRCOG adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB No. 96), which requires recognition of right-of-use assets and liabilities for subscription contracts that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. GASB No. 96 establishes a single model of lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Contracts qualify under the statement if they exceed one year, including non-cancellable autorenewals. As a result of the adoption of the standard, MRCOG recognized SBITA asset and liabilities of \$134,865 as of June 30, 2023.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets acquired are recorded as expenditures in the funds which finance the acquisitions and are capitalized at cost and depreciated over their estimated useful lives (no salvage value). Contributed capital assets are recorded at their estimated acquisition market value at the time received. Additions, including software, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and interest is not capitalized. MRCOG's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital assets, is \$5,000 per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

Right-to-use assets are amortized over the lesser of the lease term or the useful life of the lease asset. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Furniture, fixtures, and machinery	3–10 years
Building and improvement	40 years

MRCOG did not own any infrastructure assets as of June 30, 2023.

Right-to-Use Assets

MRCOG recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of an other-than-short-term lease. MRCOG uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using MRCOG's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Budgets and Budgetary Accounting

MRCOG's Executive Director prepares an overall budget by project fund for the MRCOG which is adopted by the Board. This Budget includes expected receipts and expenditures of the General Fund. MRCOG is required to prepare budgets for each program for submission directly to that program's funding source. Each funding's source has its own requirements as to the timing of budget preparation and interim reports, line items and categories to be used and amounts to be included. Some require a report of grantor expenditures only, while others require a report of total program expenditures. The budgets, used by the MRCOG to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, MRCOG approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. There are no differences between the GAAP basis and the budgetary basis because both are modified accrual.

The time at which appropriations lapse depends on the funding source and related legal requirements.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Unexpended appropriations funded by all grants do not lapse at the fiscal year-end and may be carried forward.

The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year. For budgetary purposes, the general fund treats principal and interest payments on its debt as an operating cost. These expenditures are then transferred out and allocated out to certain other funds.

Due to and from Other Funds

Interfund receivables represent project costs paid by the General Fund in anticipation of reimbursements from grants in the Special Revenue Funds. When the reimbursements from grants are received, the Interfund receivables are repaid. Interfund activities are eliminated in determining government-wide financial statements.

Grants and Receivables

Grant reimbursements receivable represent qualified expenditures made under grant agreements for which reimbursements are due but not yet received. An allowance for doubtful accounts is not provided for, since all receivables are from the federal, state, or local governments and are deemed to be fully collectible. All other receivables are expected to be collected and, therefore, no allowance has been set up.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues

Revenues are recognized as follows:

- 1) Special and capital outlay appropriations require project and draw down approval from NM Department of Finance and Administration (DFA) Board of Finance. MRCOG considers this part of the eligibility requirements until the approval is obtained.
- 2) Federal and other grants revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as unearned grant advances in the accompanying financial statements.
- 3) Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded, as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

Unearned Grant Advances

Unearned grant advances represent cash received under agreements which have not yet been expended for their intended purposes and are, therefore, unearned.

Reimbursement of Rio Metro Costs and Incurred on Behalf of Rio Metro

Reimbursement of Rio Metro Costs represents cash received from Rio Metro Regional Transit District (Rio Metro) for expenses that were incurred by Rio Metro and paid by MRCOG. MRCOG then invoices Rio Metro for these expenditures.

Deferred Outflows and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position by MRCOG that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by MRCOG that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the statement of net position but are not recognized in the fund financial statements as expenses or revenues until the periods to which they relate. As of June 30, 2023, deferred outflows and deferred inflows represent pension and OPEB balances that are applicable to future periods.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position

Net position on the Statement of Net Position includes the following:

- *Net Investment in Capital Assets* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and amortization and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- *Restricted* – the component of net position that reports the difference between assets and liabilities of the MRCOG that consists of assets with constraints placed on their use that are legally enforceable by legislation and the like to be used only for the purposes specified. MRCOG had no restricted net position as of June 30, 2023.
- *Unrestricted* – the difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for specific future use. MRCOG classifies governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority (MRCOG’s Board of Directors) and does not lapse at year-end. MRCOG’s Board of Directors committed fund balance of \$500,000 to be maintained for the protection to the local member governments, including potential claims against MRCOG due to financial reductions.
- *Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the management.
- *Unassigned* – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other government funds.

MRCOG requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring matching spending.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Abatements

MRCOG has not identified any tax abatements that require disclosure.

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 2 – Deposit and Investment Accounts

MRCOG invests its funds in accordance with state statutes which require that financial institutions pledge collateral of federal or state securities whose market value is equal to at least 50 percent of the deposits in excess of FDIC insurance coverage made by MRCOG with a financial institution. MRCOG, in accordance with state statutes, may only have deposits in financial institutions or invest in federal direct obligations or the New Mexico State Treasurer's Local Government Pooled Investments.

Securities which are obligations of the State of New Mexico, its agencies, institutions, counties or municipalities or other subdivisions are accepted at par value; all other securities are accepted at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

Custodial credit risk is the risk that in the event of a bank failure, the MRCOG's deposits may not be returned to it. MRCOG's deposit policy is to collateralize one-half of the uninsured public money in each account. As of June 30, 2023, the amount of MRCOG's bank balance of \$3,251,704 was exposed to custodial credit risk as follows:

Collateralized balance held by pledging bank's trust department not in MRCOG's name	\$ 1,375,916
Insured	500,000
Uninsured and uncollateralized	<u>1,375,788</u>
	<u><u>\$ 3,251,704</u></u>

Following are the descriptions of the cash and repurchase agreements as of June 30, 2023:

	<u>Book Balance</u>	<u>Bank Balance</u>
Checking account - Wells Fargo Bank (non-interest bearing)	\$ 808,643	\$ 2,563,272
Certificate of deposit - Wells Fargo Bank	<u>688,432</u>	<u>688,432</u>
	<u><u>\$ 1,497,075</u></u>	3,251,704
Reconciling items		<u>(1,754,629)</u>
Per financial statements		<u><u>\$ 1,497,075</u></u>

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Note 3 – Interfund Receivables/Payables and Transfers

Interfund accounts were as follows as of June 30, 2023:

	Due To	Due From
Due to General Fund from major and nonmajor funds	\$ 961,388	\$ -
Due from Rio Metro operations	-	510,410
Due from Workforce Grants to General Fund	-	165,917
Due to Unified Work Planning Program Rio Metro from major and nonmajor funds	347,643	-
Due to nonmajor funds from General Fund	136,613	-
Due from nonmajor funds to General Fund	-	769,317
	\$ 1,445,644	\$ 1,445,644

Interfund accounts occur because expenditures are paid for by the General Fund because the Special Revenue Funds are on a reimbursement basis. When the Special Revenue Funds receive the reimbursements from the grantors, the General Fund is repaid. Management expects all Interfund balances to be repaid within one year.

Matching funds transfers are made by the General Fund as required to meet the matching requirements of grants. During the year ended June 30, 2023, \$556,107 was transferred from the General Fund to the nonmajor special revenue funds.

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Deletions	Transfers	June 30, 2023
NONDEPRECIABLE					
Land	\$ 683,800	\$ -	\$ -	\$ -	\$ 683,800
DEPRECIABLE AND AMORTIZABLE					
Buildings and improvements	2,792,822	-	-	-	2,792,822
Furniture, fixtures, and machinery	2,502,557	347,674	(5,169)	-	2,845,062
Right-to-use equipment	37,802	-	-	-	37,802
Right-to-use software	-	134,865	-	-	134,865
Total assets	6,016,981	347,674	(5,169)	-	6,359,486
ACCUMULATED DEPRECIATION AND AMORTIZATION					
Building	(1,159,849)	(69,821)	-	-	(1,229,670)
Furniture, fixtures, and machinery	(1,707,623)	(161,391)	5,169	-	(1,863,845)
Right-to-use equipment	(12,601)	(12,549)	-	-	(25,150)
Right-to-use software	-	(58,698)	-	-	(58,698)
Total accumulated depreciation and amortization	(2,880,073)	(243,761)	5,169	-	(3,118,665)
NET CAPITAL ASSETS	\$ 3,136,908	\$ 103,913	\$ -	\$ -	\$ 3,240,821

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Note 4 – Capital Assets (continued)

Furniture, fixtures, and machinery have been provided from grants accounted for in special revenue funds in the amount of \$1,404,636 including assets on hand at June 30, 2023 and \$176,149 surplus (idle) equipment that is fully depreciated and included in the capital assets. Depreciation expense for the year ended June 30, 2023 totaled \$231,212. Amortization expense for the year ended June 30, 2023, totaled \$71,247. MRCOG has evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2023.

MRCOG entered into a noncancellable agreement for lease of office equipment ending in June 2024 and recorded a lease liability at inception of the agreement.

The change in lease liability for the year ended June 30, 2023 is as follows:

Beginning Balance	Additions	Payments	Reclassification	Ending Balance	Amounts Due Within One Year
\$ 1,228,077	\$ -	\$ (12,538)	\$ (1,202,359)	\$ 13,180	\$ 13,180

MRCOG has also entered into a financed purchase agreement with Bernalillo County for the building and land located at 809 Copper Avenue N.W. The agreement has a term of 25 years beginning in August 2005. No termination penalties were incurred during the year ended June 30, 2023. The financed purchase was reclassified from lease liabilities to a notes payable.

Beginning Balance	Additions	Payments	Reclassification	Ending Balance	Amounts Due Within One Year
\$ -	\$ -	\$ (139,436)	\$ 1,202,359	\$ 1,062,923	\$ 140,345

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Notes to Financial Statements

Note 4 – Capital Assets (continued)

Future principal and interest payments required as of June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 153,525	\$ 6,851	\$ 160,376
2025	141,260	5,576	146,837
2026	142,181	4,655	146,837
2027	143,108	3,729	146,837
2028	144,041	2,796	146,837
2029-2032	351,988	2,867	354,855
	1,076,103	<u>\$ 26,474</u>	<u>\$ 1,102,577</u>
Less current portion	<u>13,180</u>		
Long-term portion of debt	<u>\$ 1,062,924</u>		

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Note 5 – Accrued Compensated Absences

Employees accrue annual vacation leave based on their length of service. The total number of hours which can be earned ranges from a minimum of 100 hours per year to a maximum of 192.14 hours per year. Accrued vacation time in excess of a 24-month total which remains unused at the end of each calendar year is forfeited.

A total of 96 sick leave hours per year may be accumulated by each full-time employee. Part-time employees accrue sick leave on a prorated basis. Employees with less than 500 hours of accumulated sick leave lose those hours upon termination of employment, except those who terminate due to retirement. Employees who have accumulated more the 500 hours of sick leave may choose to convert sick leave to either vacation leave or cash at the end of each calendar year, or upon resignation, based on the following conversion schedule: Over 500 hours may be converted at 3 hours of sick leave to 1 hour of vacation leave; over 850 hours may be converted at 2 hours of sick leave to 1 hour of vacation leave; hours in excess of 1,200 will be converted at 3 hours of sick to 2 hours of vacation. Employees may not carry over more than 1,200 hours of sick leave. Upon retirement, employees may cash out all sick leave hours accrued.

MRCOG accrues a liability for vacation and sick leave when the following criteria are met:

1. The MRCOG's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation related to rights that vest of accumulated leave.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a results of employee resignations or retirements, or if the amounts have been funded through reimbursements from programs or grants.

In accordance with the above criteria, MRCOG has accrued a liability using payroll rates in effect as of June 30, 2022, for vacation and sick leave which has been earned but not taken by MRCOG employees. Accrued vacation and sick leave are charged to grant programs in accordance with the Uniform Guidance.

The accumulated leave as of June 30, 2023 has been recorded as a liability with a current portion of \$575,411 and a long-term portion of \$499,652. Funds accumulated from grantor reimbursements are used to liquidate the funded portion of the liabilities, which total \$575,411 at June 30, 2023. Detail of accrued compensated absences for the year ended June 30, 2023 is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
\$ 918,167	\$ 739,173	\$ (582,276)	\$ 1,075,064	\$ 575,411

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Note 6 – Rio Metro Reimbursements and Incurred Costs

The MRCOG pays for several expenditures on behalf of Rio Metro. The MRCOG then invoices Rio Metro for these expenditures. The following is a summary of these expenditures and reimbursements:

Reimbursement to MRCOG	
Rio Metro RTD Revenue	\$9,384,043
Incurred on behalf of Rio Metro	
Operating Expenses	\$9,384,043

Note 7 – PERA Pension Plan

Plan Description

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

Benefits Provided

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

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Note 7 – PERA Pension Plan (continued)

Tier II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least five years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with five or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by 0.5%, per employee. Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised 0.5%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions

The contribution requirements of defined benefit plan members and MRCOG are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for fiscal year 2023 for the various PERA coverage options, for both Tier I and Tier II, see the tables available at www.nmpera.org/for-employers/plan-information. The PERA coverage option that applies to MRCOG is the Municipal General Division. Statutorily required contributions to the pension plan from MRCOG were \$835,936 for the year ended June 30, 2023, and there was \$924,811 in employer-paid member contributions for the year ended June 30, 2023.

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

At June 30, 2023, MRCOG reported a liability of \$14,202,793 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022. MRCOG's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, MRCOG's proportion was 0.8007%, which was an increase of 0.0495% from its proportion measured as of June 30, 2021.

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Note 7 – PERA Pension Plan (continued)

For the year ended June 30, 2023, MRCOG recognized pension expense of \$1,748,911. As of June 30, 2023, MRCOG reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,936	\$ 345,406
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,405,589	-
Changes in proportion and differences between MRCOG contributions and proportionate share of contributions	857,988	-
Employer contributions subsequent to the measurement date	835,936	-
	\$ 3,156,449	\$ 345,406

The amount of \$835,936 reported as deferred outflows of resources related to pensions resulting from MRCOG's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,			
2024	\$	709,685	
2025		516,369	
2026		(360,759)	
2027		1,109,812	
	\$	1,975,107	

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Notes to Financial Statements

Note 7 – PERA Pension Plan (continued)

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll for all divisions except Legislative division which is Level Dollar
Amortization period	25 years
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment experience
Retirement Age	Experience-based table of rates based on age
Salary increases	3.25% to 13.50% per year
Includes inflation at	2.50%
Mortality assumption	Based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.

The total pension liability was rolled forward from the valuation date of June 30, 2021 to the measurement date as of June 30, 2022.

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

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Notes to Financial Statements

Note 7 – PERA Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	35.50%	6.35%
Risk reduction and mitigation	19.50%	1.90%
Credit-oriented fixed income	15.00%	4.45%
Real assets	20.00%	5.10%
Multi-risk allocation	10.00%	
	<u>100.00%</u>	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 21,491,869</u>	<u>\$ 14,202,793</u>	<u>\$ 8,147,497</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

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Note 8 – Insurance Coverage

The MRCOG is subject to various risks of loss, which are covered through the purchase of commercial insurance and participation in the City of Albuquerque’s Risk Management Pool. The following insurance coverage was in effect as of June 30, 2023:

Insurer and Policy Type	Term	Coverage
New Mexico Mutual Worker’s compensation	2/12/22 – 2/12/24	Injury by accident (\$1,000,000 each accident). Bodily injury by disease (\$1,000,000 each employee). Bodily injury by disease (\$1,000,000 policy limit).
Indian Harbor Public officials’ liability	9/29/22 – 9/29/23	\$3,000,000 each occurrence. \$3,000,000 general aggregate limit.
Hudson Insurance Co. General liability	9/29/22 – 9/29/23	\$1,000,000 each occurrence, \$2,000,000 aggregate, \$1,000,000 umbrella.
Hudson Insurance Co. Property	7/1/23 – 7/1/24	\$1,764,273 Blanket Limit, other limitations apply.
National Union Fire Insurance Co. City of Albuquerque Risk Management Fund	7/1/23 – 7/1/24	1,000,000 employee theft/fraud Covered under limits of the Tort Claims Act of New Mexico.
Auto vehicles liability – MRCOG owned	Continuous policy	\$1,000,000 – property damage \$1,000,000 – per person for single occurrence

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Note 9 – Post-Employment Benefits

MRCOG provides OPEB healthcare benefits through NMRHCA and also provides OPEB continuation of life insurance coverage to its retiring employees. Each plan is described and disclosed below:

Plan Description for NMRHCA

Employees of MRCOG are provided with OPEB through the Retiree Health Care Fund (the Fund), a cost-sharing multiple employer defined benefit OPEB plan administered by NMRHCA. NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided

The Fund is a multiple-employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees Covered by Benefit Terms

As of June 30, 2022, the NMRHCA measurement date, the following employees were covered:

PLAN MEMBERSHIP	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,759
Current active members	<u>92,520</u>
TOTAL PLAN MEMBERSHIP	<u><u>157,371</u></u>
ACTIVE MEMBERSHIP	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal fire	756
Educational Retirement Board	<u>49,224</u>
TOTAL ACTIVE MEMBERSHIP	<u><u>92,520</u></u>

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Note 9 – Post-Employment Benefits (continued)

Contributions

Employer and employee contributions to NMRHCA total 3.00% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, MRCOG reported a liability of \$3,562,794 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to the measurement date. MRCOG's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022, the MRCOG's proportion was 0.1541%.

For the year ended June 30, 2023, MRCOG recognized OPEB expense of \$310,209. At June 30, 2023, MRCOG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 59,260	\$ 528,082
Changes in assumptions	760,216	2,641,059
Net difference between projected and actual earnings on OPEB plan investments	49,128	-
Changes in proportion and differences between MRCOG contributions and proportionate share of contributions	76,502	149,952
MRCOG contributions subsequent to the measurement date	<u>175,065</u>	<u>-</u>
	<u>\$ 1,120,171</u>	<u>\$ 3,319,093</u>

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Note 9 – Post-Employment Benefits (continued)

Deferred outflows of resources totaling \$175,065 represent MRCOG contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,		
2024	\$	756,090
2025		443,464
2026		(1,288,417)
2027		(1,400,140)
2028		(884,984)
		\$ (2,373,987)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (scaled at 95% for males). PERA members: RP-2014 Blue Collar Annuitant Mortality, set forward one year for females.

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Notes to Financial Statements

Note 9 – Post-Employment Benefits (continued)

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	0.4%
U.S. equity - large cap	6.6%
Non-U.S. - emerging markets	9.2%
Non-U.S. - developed equities	7.3%
Private equity	10.6%
Credit and structured finance	3.1%
Real estate	3.7%
Absolute return	2.5%
U.S. equity - small/mid cap	6.6%

Discount Rate

The discount rate used to measure the NMRHCA's total OPEB liability is 5.42% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the NMRHCA fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2059. Beyond 2059, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% is the blended discount rate.

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Note 9 – Post-Employment Benefits (continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the MRCOG, as well as what MRCOG's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.42 percent) or 1-percentage-point higher (6.42 percent) than the current discount rate:

<u>1% Decrease (4.42%)</u>	<u>Current Discount Rate (5.42%)</u>	<u>1% Increase (6.42%)</u>
<u>\$ 4,433,678</u>	<u>\$ 3,562,794</u>	<u>\$ 2,868,439</u>

The following presents the net OPEB liability of MRCOG, as well as what MRCOG's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
<u>\$ 2,845,725</u>	<u>\$ 3,562,794</u>	<u>\$ 4,166,254</u>

Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2022.

Plan Description for Life Insurance OPEB

MRCOG provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement. The plan is a non-trusted single employer plan administered by MRCOG. There are no assets accumulated in a trust but is financed on a pay-as-you-go basis. There is no legal authority for the plan but is a voluntary OPEB provided by MRCOG to its employees.

Life Insurance Benefits Provided

MRCOG provides life insurance coverage for employees who retire from MRCOG under PERA.

**State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements**

Note 9 – Post-Employment Benefits (continued)

The face amount of life insurance coverage is based on each employee's annual compensation in the year preceding retirement. Coverage amounts are as follows:

Final Basic Annual Pay	Retired Before July 1, 2008
Less than \$5,000	\$3,000
\$5,000 but less than \$6,000	\$4,000
\$6,000 but less than \$8,000	\$5,000
\$8,000 but less than \$10,000	\$6,000
\$10,000 but less than \$12,000	\$7,000
\$12,000 but less than \$15,000	\$8,500
\$15,000 but less than \$20,000	\$11,000
\$20,000 but less than \$25,000	\$14,000
\$25,000 but less than \$30,000	\$17,500
\$30,000 but less than \$35,000	\$20,000
\$35,000 but less than \$40,000	\$22,500
\$40,000 and over	\$25,000

In lieu of a death benefit, a disabled retiree may elect to receive a lump sum payment equal to one-half of the face amount of his or her retiree life insurance coverage.

No supplemental or Accidental Death or Dismemberment is available after retirement, though employees may elect to convert coverage lost at retirement to individual coverage at their own expense at the current rates charged by the insurer.

Final Basic Annual Pay	Retired After June 30, 2008
Less than \$25,000	\$12,500
\$25,000 but less than \$50,000	\$70% of last basic annual pay
\$50,000 and over	\$25,000

**State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements**

Note 9 – Post-Employment Benefits (continued)

Eligibility for Retiree Life Insurance Benefits

Eligibility for coverage is the same as eligibility for retirement under PERA. Retirement eligibility varies based on employment date (Tier), and type of retirement (service, duty disability and non-duty disability). Details are below.

- For employees hired prior to July 1, 2013 (PERA Tier 1), the age and service eligibility requirements for **service** retirement under PERA are shown in the chart to the below. Tier 1 employees may also qualify for a **non-duty related disability** retirement under PERA at any age with five years of service. **Duty-related disability** has no minimum age or service requirements.

Eligibility for Service Retirement							
Age	Any Age	60	61	62	63	64	65 +
Service needed	25	20	17	14	11	8	5

- For employees hired on or after July 1, 2013 (PERA Tier 2), eligibility requirements for **service** retirement under PERA are a minimum of five years of service and either (a) attainment of age 65, or (b) age plus service greater than or equal to 85. Tier 2 employees may also qualify for a **non-duty related disability** retirement under PERA at any age with 8 years of service. **Duty-related disability** has no minimum age or service requirements.

Employees Covered by Benefit Terms

At June 30, 2021, the Plan’s measurement date, the following employees were covered by the benefit terms:

Number of active plan members	130
Number of inactive plan members currently receiving benefits	32
Number of inactive plan members entitled to but not receiving benefits	-

Contributions

MRCOG contributes the full cost of retiree life insurance coverage. The current premium rate is \$0.28 per \$1,000 of life insurance for active and retired employees, regardless of age. Premiums paid to the insurance plan from MRCOG were \$21,908 for the year ended June 30, 2023.

State of New Mexico
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Notes to Financial Statements

Note 9 – Post-Employment Benefits (continued)

Impact on Net Position and OPEB Expense

At June 30, 2023, MRCOG reported a liability of \$809,940 for life insurance OPEB. The OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021 rolled forward to the measurement date. For the year ended June 30, 2023, the MRCOG recognized OPEB expense of \$50,178. The following schedule shows the development of the impact on net position and total OPEB expense as of the measurement date:

Plan Summary Information
Measurement Date is June 30, 2022

ITEMS IMPACTING NET POSITION	
Total OPEB liability	\$ 809,940
Fiduciary net position	-
Net OPEB liability (asset)	809,940
Deferred (outflows) inflows of resources due to:	
Assumption changes	(78,777)
Assumption changes	275,537
Plan experience	(43,433)
Contributions subsequent to measurement date	(21,908)
Net deferred outflows of resources	131,419
IMPACT ON STATEMENT OF NET POSITION	
FISCAL YEAR END JUNE 30, 2022	\$ 941,359
ITEMS IMPACTING OPEB EXPENSE	
Service cost	\$ 54,064
Cost of plan changes	-
Interest cost	24,115
Recognized deferred resource items	
Assumption changes	(38,607)
Plan experience	10,606
TOTAL OPEB EXPENSE	\$ 50,178

State of New Mexico
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Notes to Financial Statements

Note 9 – Post-Employment Benefits (continued)

Change in Net Position During the Fiscal Year

The following schedule shows the year-to-year changes in the components of net position:

For Reporting at Fiscal Year End Measurement Date	<u>June 30, 2022</u> <u>June 30, 2021</u>	<u>June 30, 2023</u> <u>June 30, 2022</u>	Change During Period
Total OPEB liability	\$ 1,061,076	\$ 809,940	\$ 251,136
Fiduciary net position	-	-	-
Net OPEB liability (asset)	<u>1,061,076</u>	<u>809,940</u>	<u>251,136</u>
Deferred resources (outflows) inflows due to			
Assumption changes	(97,190)	(78,777)	(18,413)
Assumption changes	21,093	275,537	(254,444)
Plan experience	(54,039)	(43,433)	(10,606)
Contributions made subsequent to the measurement date	<u>(17,851)</u>	<u>(21,908)</u>	<u>4,057</u>
Net deferred (outflows) inflows	<u>(147,987)</u>	<u>131,419</u>	<u>(279,406)</u>
Impact on statement of net position	<u>\$ 913,089</u>	<u>\$ 941,359</u>	<u>\$ (28,270)</u>
Change in net position during the fiscal year			
Impact on statement of net position as of June 30, 2022		\$ 913,089	
OPEB expense		50,178	
Employer contributions during fiscal year		<u>(21,908)</u>	
Impact on statement of net position as of June 30, 2023		<u>\$ 941,359</u>	
OPEB expense			
Employer contributions during fiscal year		\$ 21,908	
Deterioration in net position		<u>28,270</u>	
OPEB expense, year ended June 30, 2024		<u>\$ 50,178</u>	

State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements

Note 9 – Post-Employment Benefits (continued)

At June 30, 2023, the MRCOG reported deferred outflows of resources and deferred inflows of resources related to life insurance OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 78,777	\$ 275,537
Differences between expected and actual experience	43,433	-
MRCOG contributions subsequent to the measurement date	21,908	-
	\$ 144,118	\$ 275,537

Deferred outflows of resources totaling \$21,908 represent MRCOG contributions to the plan made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,		
2024	\$	(24,426)
2025		(16,497)
2026		(18,540)
2027		(23,424)
2028		(27,092)
Thereafter		(43,348)
	\$	(153,327)

The Expected Average Remaining Service Life was 6.97 years. This is the period used to recognized changes in the OPEB Liability other than those arising from investment gains and losses or relating to improvements in plan benefits during the fiscal year.

**State of New Mexico
Mid-Region Council of Governments
Notes to Financial Statements**

Note 9 – Post-Employment Benefits (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Period	June 30, 2023
Funding Method	Entry Age Normal Cost, level of percent of pay
Asset Valuation Method	Market value of assets (\$0; no OPEB trust has been established)
Discount Rates	4.09% as of June 30, 2022, 2.18% as of June 30, 2021
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between services years
General Inflation Rate	2.50% per year

Discount Rate

The discount rate used in the valuation is based on the S&P General Obligation 20 Year High Grade Municipal Bond Index. As of the beginning and end of the Measurement Period, this index requires use of discount rate of 4.09% and 2.18% as of June 30, 2023 and 2022, respectively.

Sensitivity of Liabilities to Changes in Discount Rate

The discount rate used for the fiscal year-end 2023 is 4.09%. The impact of a 1% increase or decrease in the discount rate is shown in table below. Healthcare cost trend rate is not applicable in the valuation of life insurance benefits.

	1% Decrease <u>(3.09%)</u>	Current Discount Rate <u>(4.09%)</u>	1% Increase <u>(5.09%)</u>
Total OPEB liability	<u>\$ 954,770</u>	<u>\$ 809,940</u>	<u>\$ 695,835</u>

State of New Mexico
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Notes to Financial Statements

Note 10 – Commitments and Contingencies

Amounts received or receivable from the grantors are subject to audit and adjustment by those grantors. Any disallowed claims, including amounts already collected, may constitute a liability of MRCOG. The amount, if any, of expenditures which may be disallowed by those grantors cannot be determined at this time, although MRCOG's management expects such amounts, if any, to be immaterial.

Note 11 – Operations, Maintenance, and Management Services Agreement

MRCOG has an operation, maintenance, and management agreement with the City of Albuquerque, Rio Metro, and WCCNM. Under this agreement, the City of Albuquerque provides administrative support to the MRCOG for personnel, computer services, legal and risk management, and processes payroll.

The employees that work on Rio Metro and WCCNM are not employees of Rio Metro and WCCNM but are employees of MRCOG. MRCOG invoices Rio Metro and WCCNM for their portion of salaries relating to the use of MRCOG employees as well as other operating expenses. The MRCOG reimbursed the City of Albuquerque \$13,972,096 for payroll, fringe benefits, and processing costs and \$96,991 for other charges. During the year ended June 30, 2023, MRCOG was reimbursed \$10,016,144 by Rio Metro and \$3,112,336 by WCCNM for payroll and other operating expenses.

Note 12 – Related Entity Transactions

Rio Metro

MRCOG's accounts receivable balance from Rio Metro totaled \$802,029 as of June 30, 2023.

WCCNM

MRCOG's accounts receivable balance from WCCNM totaled \$247,885 as of June 30, 2023.

Payments made to related entities the year ended June 30, 2023:

Bernalillo County – loan payments	\$174,910
WCCNM	\$44,847

In addition, MRCOG received payments from its members under grant agreements and contracts related to projects.

Required Supplementary Information

State of New Mexico
Mid-Region Council of Governments
Schedule of MRCOG's Proportionate Share of Net Pension Liability

	2023	2022	2021	2020	June 30, 2019	2018	2017	2016	2015
MRCOG's proportion of the net pension liability	0.8007%	0.7512%	0.7130%	0.7060%	0.6979%	0.6532%	0.6148%	0.6358%	0.6139%
MRCOG's proportionate share of the net pension liability	\$ 14,202,793	\$ 8,463,783	\$ 14,418,481	\$ 12,221,562	\$ 11,127,109	\$ 8,975,521	\$ 9,822,435	\$ 6,295,269	\$ 4,788,854
MRCOG's covered payroll	\$ 8,753,252	\$ 7,672,093	\$ 7,079,995	\$ 6,080,792	\$ 6,188,297	\$ 6,277,996	\$ 5,706,073	\$ 5,263,654	\$ 5,007,828
MRCOG's proportionate share of the net pension liability as a percentage of its covered payroll	162.26%	110.32%	203.65%	200.99%	179.81%	142.97%	172.14%	119.60%	95.63%
Plan's fiduciary net position as a percentage of the total pension liability	69.35%	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

Notes

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, MRCOG will present information for those years for which information is available.

State of New Mexico
Mid-Region Council of Governments
Schedule of MRCOG's Contributions and Notes

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 835,936	\$ 732,685	\$ 676,140	\$ 580,716	\$ 590,982	\$ 594,774	\$ 544,930	\$ 502,679	\$ 499,414	
Contributions in relation to the contractually required contribution	\$ 924,811	\$ 805,495	\$ 676,140	\$ 580,716	\$ 590,982	\$ 594,774	\$ 544,930	\$ 502,679	\$ 499,414	
Contribution deficiency (excess)	\$ (88,875)	\$ (72,810)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
MRCOG's covered payroll	\$ 8,753,252	\$ 7,672,093	\$ 7,079,995	\$ 6,080,792	\$ 6,188,297	\$ 6,277,996	\$ 5,706,073	\$ 5,263,654	\$ 5,007,828	
Contribution as a percentage of covered payroll	10.57%	10.50%	9.55%	9.55%	9.55%	9.47%	9.55%	9.55%	9.97%	

Notes

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, MRCOG will present information for those years for which information is available.

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA annual comprehensive financial report available at <https://www.nmpera.org>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2022 is available at <https://www.nmpera.org>. For detail about changes in the actuarial assumption, see Appendix B of the report.

State of New Mexico
Mid-Region Council of Governments
Schedule of MRCOG's Proportionate Share of Net OPEB Liability – NMRHCA

	June 30,					
	2023	2022	2021	2020	2019	2018
MRCOG's proportion of the net OPEB liability	0.1541%	0.1469%	0.1399%	0.1457%	0.1461%	0.1343%
MRCOG's proportionate share of the net OPEB liability	\$ 3,562,794	\$ 4,833,524	\$ 5,872,593	\$ 4,724,809	\$ 6,353,715	\$ 6,295,672
MRCOG's covered payroll	\$ 8,753,252	\$ 7,672,093	\$ 7,079,995	\$ 6,080,792	\$ 6,188,297	\$ 6,227,996
MRCOG's proportionate share of the net OPEB liability as a percentage of covered payroll	40.70%	63.00%	82.95%	77.70%	102.67%	101.09%
Fiduciary net position as a percentage of total OPEB liability	33.33%	25.39%	16.50%	13.14%	13.14%	11.34%

Notes

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, MRCOG will present information for those years for which information is available.

Changes of assumptions. The New Mexico Retiree Health Care Authority (NMRHCA) Annual Actuarial Valuation as of June 30, 2021, which was used in the total OPEB liability measurement as of June 30, 2022, is available at <https://www.nmrhca.org>. For detail about changes in the actuarial assumption, see this report.

State of New Mexico
Mid-Region Council of Governments
Schedule of MRCOG's Contributions and Notes – NMRHCA

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 175,065	\$ 153,442	\$ 141,600	\$ 128,986	\$ 123,766	\$ 124,560
Contributions in relation to the contractually required contribution	\$ 175,065	\$ 153,442	\$ 141,600	\$ 128,986	\$ 123,766	\$ 124,560
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MRCOG's covered payroll	\$ 8,753,252	\$ 7,672,093	\$ 7,079,995	\$ 6,080,792	\$ 6,188,297	\$ 6,227,996
Contribution as a percentage of covered payroll	2.00%	2.00%	2.00%	2.12%	2.00%	2.00%

Notes

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, MRCOG will present information for those years for which information is available.

State of New Mexico
Mid-Region Council of Governments
Schedule of MRCOG's Total OPEB Liability and Related Ratios – Life Insurance OPEB

	June 30,					
	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service cost	\$ 54,064	\$ 44,308	\$ 41,572	\$ 46,386	\$ 42,968	\$ 47,945
Cost of plan changes	-	6,264				
Interest	24,115	24,310	23,461	22,410	21,177	17,606
Differences between expected and actual experience	-	39,339	-	35,230	-	-
Changes in assumptions	(311,464)	85,059	20,367	3,318	19,281	(82,763)
Benefit payments	(17,851)	(15,576)	(14,723)	(12,530)	(10,286)	(6,337)
Net change	(251,136)	183,704	70,677	94,814	73,140	(23,549)
Total OPEB liability						
Beginning of year	1,061,076	877,372	806,695	711,881	638,741	662,290
End of year	809,940	1,061,076	877,372	806,695	711,881	638,741
PLAN FIDUCIARY NET POSITION						
Contributions - employer	17,851	15,576	14,723	12,530	10,286	6,337
Benefit payments	(17,851)	(15,576)	(14,723)	(12,530)	(10,286)	(6,337)
Net change in fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position						
Beginning of year	-	-	-	-	-	-
End of year	-	-	-	-	-	-
NET OPEB LIABILITY	\$ 809,940	\$ 1,061,076	\$ 877,372	\$ 806,695	\$ 711,881	\$ 638,741
COVERED EMPLOYEE PAYROLL	\$ 8,159,527	\$ 7,415,647	\$ 6,935,789	\$ 6,592,796	\$ 6,401,082	\$ 6,158,056
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	9.93%	14.31%	12.65%	12.24%	11.12%	10.37%

NOTES – Changes in assumptions represent the affect of changes in the discount rate used at the following measurement dates:

June 30, 2022: 4.09%
June 30, 2021: 2.18%
June 30, 2020: 2.66%
June 30, 2019: 2.79%
June 30, 2018: 2.98%
June 30, 2017: 3.13%

Supplementary Information

State of New Mexico
Mid-Region Council of Governments
Description of Nonmajor Special Revenue Funds

Special Revenue Funds

Special revenue funds are used to account for various grants from Federal, State, and Local agencies and other sources which are restricted by the granting agency to use for expenditures for specified purposes. The following is a description of the purpose of the Nonmajor Special Revenue Funds. Although there is no specific authority establishing these funds, MRCOG tracks state and federal programs in separate funds for internal and external compliance and reporting purposes.

Digital Orthophotography (No. 29) – The orthophotography project provides for the acquisition of regional digital orthophotography and digital terrain data on a two-year cycle. Every other year, a fly over of the region is conducted in which the terrain is photographed for the project.

Salt Missions Trail Scenic Byway (No. 32) – MRCOG’s mission is to foster economic development on the Salt Missions Trail Scenic Byway. Under the agreement with the NM Dept. of Tourism, MRCOG is to establish a sustainable Scenic Byways Organization, update the 1998 Corridor Management Plan (CMP) and to implement projects in the new CMP pursuant to Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Funding source is 80% FHWA.

Regional Planning Organization (No. 33) – Provides for transportation planning efforts in the non-metropolitan areas of the MRCOG district, including technical assistance to local governments for transportation planning, project development, and coordination of transportation improvements.

Zoning Ordinance Projects (No. 35) & Comp Plan Projects (No. 39) – Special projects whereby MRCOG staff provided technical assistance to communities in developing zoning ordinances and comprehensive plans.

Local and State Studies (No. 50) – From time to time, MRCOG’s government members request MRCOG’s assistance in the performance of studies and analysis of transportation issues in the region. These studies are funded by the local agencies requesting assistance.

Metropolitan Transportation Planning Organization (MPO) – Federal Highway Administration (FHWA) (No. 52) – Provides for the conduct of the cooperative, coordinated, comprehensive (3c) transportation system planning process in the Albuquerque Metropolitan Planning Area, with emphasis on improving safety, reducing traffic congestion, improving efficiency in freight movement, and increasing intermodal connectivity. Service and products include maintenance of the Metropolitan Planning Organization (MPO) process, coordination of urban transportation planning activities, and provision of traffic data and forecasts, base socio-economic data and forecasts, special studies, and technical assistance to the member local governments. These funds are authorized by the U.S. Department of Transportation, Public Law 109-59 Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Metropolitan Transportation Planning Organization - Federal Transit Administration (No. 53) – Provides for the conduct of the cooperative, coordinated, comprehensive (3c) transportation system planning process in the Albuquerque Metropolitan Planning Area, with emphasis on the development of cost-effective multimodal transportation improvement programs which include the planning, engineering, and designing of Federal Transit projects. These funds are authorized by SAFETEA-LU.

State of New Mexico
Mid-Region Council of Governments
Description of Nonmajor Special Revenue Funds

Other Non-Federal One-Time Grants (No. 60) – From time to time, MRCOG receives miscellaneous non-federal grants to complete projects related to its mission. This fund was setup to track these occasional projects.

Communities Leading Health Change (REACH) (No. 62) – The REACH grant focus is healthy living and access to environments that support physical activity for residents living in the metro area. REACH is a C grant which is passed through Presbyterian Health Services.

Cooperative ITS Project (No. 64) – Provides for the technical research in the development of a facility to house the multi-agency ITS center in northeast Albuquerque.

Non-Motorized Traffic Counts (No. 66) – Provides for the collection and processing of non-motorized traffic data for routine monitoring of the transportation network and special needs traffic counts.

Transportation Surveillance Program (No. 67) – Provides for the collection and processing of traffic data for routine monitoring of the transportation network and special needs traffic counts. Directional volume data are collected on all major roads in the Albuquerque Metropolitan Planning Area (AMPA).

Travel Time Program (No. 68) – Provides for the acquisition of regional travel time information for the top 30 congested roadways, Interstate 25, and Interstate 40 in the Albuquerque Metropolitan Area (AMPA).

Economic Development Administration (No. 72) – Provides for technical and planning assistance to entities seeking funds from the U.S. Department of Commerce, Economic Development Administration, and maintenance of the region's Comprehensive Economic Development Strategy (CEDs).

EDA COVID 19 Response Grant (No. 73) – MRCOG received funding from EDA in response to the economic impact of COVID 19. The grant is for MRCOG to provide training and guidance to businesses in the region regarding CARES Act resources.

EDA Fiscal Agent (No. 74) – MRCOG administers EDA capital grants on behalf of non-profits and governments in the regions. Currently, MRCOG is administering grants for the Village of Los Lunas and Partnership for Community Action.

Transportation and Logistics Hub Feasibility Study (No. 75) – A multi-agency funded project to analyze the capacity of the Albuquerque Metropolitan Planning Area to serve as a primary transportation and logistics hub, the results of which capacity analysis could increase economic development opportunities and enhance the Area's potential as a major corridor.

Locality Planning Assistance (No. 93) – Provides for technical assistance to member governments in the development of plans and programs including developing or updating ordinances, zoning codes, and long-range strategies.

Capacity Grant (No. 315) – State grant that provides resources to help local communities apply for federal grants.

Food Security Grant (No. 320) – State grant that provides resources to acquire capital equipment to be leased to local Food Banks to assist in providing a mobile food bank to underserved communities in the region.

State of New Mexico
Mid-Region Council of Governments
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2023

	Digital Ortho Imagery 29	Salt Mission Trail Scenic Byway 32	Regional Planning Organization 33	Zoning Ordinance Projects 35	Comp Plan Projects 39	Local Study ABQ 50	Metropolitan Transportation Planning Organization FHWA 52	Metropolitan Transportation Planning Organization FTA 53	Other Nonfederal One Time Grants 60
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other receivables	-	-	-	-	-	-	-	-	-
Grant reimbursements receivable	-	-	30,610	-	-	-	193,976	167,748	-
Interfund receivables	133,893	1,000	-	-	-	-	-	-	737
Related entity receivables	-	-	-	-	8,405	-	-	-	-
Total assets	\$ 133,893	\$ 1,000	\$ 30,610	\$ -	\$ 8,405	\$ -	\$ 193,976	\$ 167,748	\$ 737
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,900	\$ -	\$ -
Accrued payroll liabilities	158	-	6,483	-	75	-	27,167	12,883	-
Interfund payables	-	-	24,127	-	8,330	-	156,909	154,865	-
Unearned grant advances	133,735	1,000	-	-	-	-	-	-	737
Total liabilities	133,893	1,000	30,610	-	8,405	-	193,976	167,748	737
FUND BALANCES									
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 133,893	\$ 1,000	\$ 30,610	\$ -	\$ 8,405	\$ -	\$ 193,976	\$ 167,748	\$ 737

State of New Mexico
Mid-Region Council of Governments
Combining Balance Sheets – Nonmajor Governmental Funds (continued)
June 30, 2023

	Communities Leading Health Change 62	Cooperative ITS Project 64	Non-Motorized Traffic Counts 66	Transportation Surveillance Program 67	Travel Time Program 68	Economic Development Administration 72	EDA COVID-19 73	EDA Fiscal Agent 74	Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Capacity Grant 315	Food Security Grant 320	Total
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other receivables	-	-	-	-	-	19,256	-	-	-	-	21,787	237,228	278,271
Grant reimbursements receivable	-	25,546	40,772	84,895	100,760	-	(1,467)	-	-	-	-	-	642,840
Interfund receivables	-	-	-	-	-	-	-	1,696	(713)	-	-	-	136,613
Related entity receivables	-	-	-	-	-	-	-	-	1,735	-	-	-	10,140
Total assets	<u>\$ -</u>	<u>\$ 25,546</u>	<u>\$ 40,772</u>	<u>\$ 84,895</u>	<u>\$ 100,760</u>	<u>\$ 19,256</u>	<u>\$ -</u>	<u>\$ (1,467)</u>	<u>\$ 1,696</u>	<u>\$ 1,022</u>	<u>\$ 21,787</u>	<u>\$ 237,228</u>	<u>\$ 1,067,864</u>
LIABILITIES													
Accounts payable	\$ -	\$ 25,546	\$ 12,219	\$ 3,619	\$ 16,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,340	\$ 10,383	\$ 93,690
Accrued payroll liabilities	85	-	-	12,403	654	6,032	304	382	-	1,022	-	41	67,689
Interfund payables	(85)	-	28,553	68,873	83,423	13,224	(304)	(1,849)	-	-	6,447	226,804	769,317
Unearned grant advances	-	-	-	-	-	-	-	-	1,696	-	-	-	137,168
Total liabilities	<u>-</u>	<u>25,546</u>	<u>40,772</u>	<u>84,895</u>	<u>100,760</u>	<u>19,256</u>	<u>-</u>	<u>(1,467)</u>	<u>1,696</u>	<u>1,022</u>	<u>21,787</u>	<u>237,228</u>	<u>1,067,864</u>
FUND BALANCES													
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 25,546</u>	<u>\$ 40,772</u>	<u>\$ 84,895</u>	<u>\$ 100,760</u>	<u>\$ 19,256</u>	<u>\$ -</u>	<u>\$ (1,467)</u>	<u>\$ 1,696</u>	<u>\$ 1,022</u>	<u>\$ 21,787</u>	<u>\$ 237,228</u>	<u>\$ 1,067,864</u>

State of New Mexico
Mid-Region Council of Governments
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Digital Ortho Imagery 29	Salt Mission Trail Scenic Byway 32	Regional Planning Organization 33	Zoning Ordinance Projects 35	Comp Plan Projects 39	Local Study ABQ 50	Metropolitan Transportation Planning Organization FHWA 52	Metropolitan Transportation Planning Organization FTA 53	Other Nonfederal One Time Grants 60
REVENUES									
Intergovernmental									
Federal	\$ -	\$ -	\$ 75,646	\$ -	\$ -	\$ -	\$ 1,225,108	\$ 384,840	\$ -
State	-	-	-	-	-	-	-	-	-
Local	35,288	-	-	-	51,390	-	-	-	189
Total revenues	<u>35,288</u>	<u>-</u>	<u>75,646</u>	<u>-</u>	<u>51,390</u>	<u>-</u>	<u>1,225,108</u>	<u>384,840</u>	<u>189</u>
EXPENDITURES									
Current									
Operating	-	-	94,557	-	51,390	-	1,381,911	481,050	189
Contractual	35,288	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	51,970	-	-
Total expenditures	<u>35,288</u>	<u>-</u>	<u>94,557</u>	<u>-</u>	<u>51,390</u>	<u>-</u>	<u>1,433,881</u>	<u>481,050</u>	<u>189</u>
OTHER FINANCING SOURCES/USES									
Operating transfers in	-	-	18,911	-	-	-	208,773	96,210	-
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE									
Beginning of year	-	-	-	-	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
Mid-Region Council of Governments
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds (continued)
Year Ended June 30, 2023

	Communities Leading Health Change 62	Cooperative ITS Project 64	Non-Motorized Traffic Counts 66	Transportation Surveillance Program 67	Travel Time Program 68	Economic Development Administration 72	EDA COVID-19 73	EDA Fiscal Agent 74	Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Capacity Grant 315	Food Security Grant 320	Total
REVENUES													
Intergovernmental													
Federal	\$ 8,703	\$ 68,052	\$ 50,149	\$ 291,742	\$ 232,968	\$ 71,774	\$ 63,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,472,552
State	-	15,477	-	-	-	-	-	-	-	99,000	60,766	293,513	468,756
Local	-	-	-	-	-	-	-	7,426	-	3,204	-	-	97,497
Total revenues	<u>8,703</u>	<u>83,529</u>	<u>50,149</u>	<u>291,742</u>	<u>232,968</u>	<u>71,774</u>	<u>63,570</u>	<u>7,426</u>	<u>-</u>	<u>102,204</u>	<u>60,766</u>	<u>293,513</u>	<u>3,038,805</u>
EXPENDITURES													
Current													
Operating	8,703	83,529	62,687	364,677	-	119,622	63,570	7,426	-	171,489	60,766	116,736	3,068,302
Contractual	-	-	-	-	272,668	-	-	-	-	-	-	-	307,956
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	176,777	228,747
Total expenditures	<u>8,703</u>	<u>83,529</u>	<u>62,687</u>	<u>364,677</u>	<u>272,668</u>	<u>119,622</u>	<u>63,570</u>	<u>7,426</u>	<u>-</u>	<u>171,489</u>	<u>60,766</u>	<u>293,513</u>	<u>3,605,005</u>
OTHER FINANCING SOURCES/USES													
Operating transfers in	-	-	12,538	72,935	39,700	47,848	-	-	-	69,285	-	-	566,200
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE													
Beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico
Mid-Region Council of Governments
Schedule of Pledged Collateral
Year Ended June 30, 2023

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2023	Location of Safekeeper
Wells Fargo	FMAC	Bonds	12/1/2048	3131YA6M7	\$ 128,127	BNY Mellon
Wells Fargo	GNMA	Bonds	5/20/2052	36179W5F1	287,493	BNY Mellon
Wells Fargo	GNMA	Bonds	8/20/2052	36179XDG8	191,201	BNY Mellon
Wells Fargo	GNMA	Bonds	9/20/2052	36179XFH4	75,737	BNY Mellon
Wells Fargo	GNII	Bonds	9/20/2052	36179XFJ0	292,389	BNY Mellon
Wells Fargo	GNMA	Bonds	7/20/2050	3617N7LP0	262,167	BNY Mellon
Wells Fargo	GNMA	Bonds	2/20/2052	3617Y3J70	138,802	BNY Mellon
					<u>1,375,916</u>	
	Bank account balances					
	Checking				2,563,272	
	Certificate of deposit				688,432	
					<u>3,251,704</u>	
	FDIC coverage				(500,000)	
	Uninsured amount				<u>2,751,704</u>	
	Collateral required at 50%				<u>1,375,852</u>	
	Excess collateral				<u><u>\$ 64</u></u>	

State of New Mexico
Mid-Region Council of Governments
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Program Title	Federal Assistance Listing Number	Identifying Grant Number	Fund #	Federal Expenditures
U.S. Department of Labor				
Passed through Workforce Connection of Central New Mexico				
Reentry Employment Opportunities	17.270	PE-38620-22-60-A-35	27	\$ 97,178
WIOA Cluster				
WIOA Adult Program	17.258	22-001-FY21	26	983,949
WIOA Dislocated Worker Formula Grants	17.278	DW-348/21-20-60-A-35	26	636,092
WIOA Adult Program	17.258	22-001-FY21	24	74,394
WIOA Dislocated Worker Formula Grants	17.278	22-001-FY21	24	25,042
WIOA Youth Activities	17.259	22-001-FY21	24	46,432
Total WIOA Cluster				<u>1,765,909</u>
Total U.S. Department of Labor				<u>1,863,087</u>
U.S. Department of Commerce				
Economic Development Administration				
Economic Development Support for Planning Organizations	11.302	ED19AUS3020011	72	71,774
Economic Development Cluster				
COVID-19 Economic Development Support for Planning Organizations	11.307	ED20AUS3070052	73	63,570
Total U.S. Department of Commerce				<u>135,344</u>
U.S. Department of Health and Human Services				
National Center of Chronic Disease Prevention (CDC)				
Passed through Presbyterian Healthcare Services				
Racial and Ethnic Approaches to Community Health (REACH)	93.738	NU58DP0056604	62	8,702
Total U.S. Department of Health and Human Services				<u>8,702</u>
U.S. Department of Transportation				
Passed through State of New Mexico Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	M01627	53	384,840
Highway Planning and Construction				
Regional Planning Organization	20.205	693JJ21930000Z550NMP319010	33	75,646
Unified Planning Work Program	20.205	693JJ21930000Z450NMP319020	52	1,225,107
Unified Planning Work Program	20.205	M01627	53	50,149
Transportation Surveillance Program	20.205	693JJ21930000Z550NMP319021	67	291,742
Travel Time Program	20.205	A300189	68	232,968
ITS Cooperative Project	20.205	693JJ2190000Z230NMA300971	64	68,052
Total Highway Planning and Construction				<u>1,943,664</u>
Total Department of Transportation				<u>2,328,504</u>
Total Expenditures of Federal Awards				<u>\$ 4,335,637</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

State of New Mexico
Mid-Region Council of Governments
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Mid-Region Council of Governments of New Mexico (MRCOG) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MRCOG, it is not intended to and does not present the financial position, changes in net position or cash flows of MRCOG.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note 2 – Non-Cash Assistance, Loans, and Indirect Costs

MRCOG received no non-cash federal assistance for the year, does not have any loans or loan guarantees and does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

MRCOG had no subrecipients for the year ended June 30, 2023.

MRCOG provided services to Workforce Connection of Central New Mexico (WCCNM) in which MRCOG was paid with federal dollars. The relationship with this entity is a vendor relationship rather than as a subrecipient and therefore do not meet the basis of a federal award in accordance with 2 CFR 200.502. Those dollars received by MRCOG under the related contracts are detailed below:

Name	Amount
WCCNM	\$1,058,968
Total federal grants per the Schedule	4,335,637
Total federal grants and contracts revenue per the accompanying financial statements	\$5,394,605

Compliance

Report of Independent Auditors 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*

Board of Directors
State of New Mexico
Mid-Region Council of Governments

Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of State of New Mexico Mid-Region Council of Governments (MRCOG) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MRCOG's basic financial statements, and have issued our report thereon dated December 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered State of New Mexico Mid-Region Council of Governments' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of State of New Mexico Mid-Region Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of State of New Mexico Mid-Region Council of Governments' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
December 1, 2023

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
State of New Mexico
Mid-Region Council of Governments

Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited State of New Mexico Mid-Region Council of Governments' (MRCOG's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on State of New Mexico Mid-Region Council of Governments' major federal program for the year ended June 30, 2023. State of New Mexico Mid-Region Council of Governments' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, State of New Mexico Mid-Region Council of Governments complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to State of New Mexico Mid-Region Council of Governments' federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MRCOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MRCOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MRCOG's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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



Albuquerque, New Mexico
December 1, 2023

State of New Mexico
Mid-Region Council of Governments
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

No prior audit findings reported.

SECTION III – OTHER FINDINGS AS REQUIRED BY SECTION 12-6-5 NMSA 1978

2022-001 – Code of Conduct (Other Non-Compliance) – Resolved

State of New Mexico
Mid-Region Council of Governments
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor’s report issued on compliance for the major federal program:

<i>Assistance Listing Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</i>
20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

State of New Mexico
Mid-Region Council of Governments
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

No matters reported.

Section III – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

No matters reported.

Section IV – Federal Award Findings and Questioned Costs

No matters reported.

**State of New Mexico
Mid-Region Council of Governments
Exit Conference
Year Ended June 30, 2023**

Exit Conference

An exit conference was held on November 29, 2023 to discuss the annual financial statement audit. Attending were the following:

State of New Mexico Mid-Region Council of Governments

Barbara Baca, MRCOG Board Chair
Amy Myer, MRCOG Senior Finance Manager
Andrew Gallegos, MRCOG Accounting Manager

Moss Adams LLP

Kory Hoggan, Partner
Carlos Aguilera, Manager

Preparation of Financial Statements

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the State of New Mexico Mid-Region Council of Governments. The financial statements and related footnotes remain the responsibility of management.