



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS

June 30, 2019

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STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
Official Roster
June 30, 2019

Greggory D. Hull	Chair
Debbie O'Malley	Vice-Chair
Katherine Bruch	Board Member
David Heil	Board Member
Donald Lopez	Board Member
Lawrence Rael	Board Member
Cynthia Borrego	Board Member
Isaac Benton	Board Member
Diane Gibson	Board Member
Don Harris	Board Member
Mary Homan	Board Member
Klarissa Pena	Board Member
Bruce Thomson	Board Member
Candelaria Patterson	Board Member
Maggie Hart Stebbins	Board Member
Ken Sanchez	Board Member
Wayne Ake	Board Member
Dr. Katharine W. Winograd	Board Member
Jerah Cordova	Board Member
Pat Clauser	Board Member
Jack Torres	Board Member
Vandora Casados	Board Member
John Bassett	Board Member
Julie Morgas Baca	Board Member
Manuel Romero	Board Member
Charles Griego	Board Member
Ron Williams	Board Member
M. Steven Anaya	Board Member
Ted Hart	Board Member
Leon Otero	Board Member
Mark Gwinn	Board Member
Erin Callahan	Board Member
James Fahey	Board Member
Gloria Chavez	Board Member
Robert Tyler	Board Member
Connie Beimer	Board Member
Wayne Johnson	Board Member
David Carlberg	Board Member
Robert Chavez	Board Member
Emily Sanchez	Board Member
Gerald Saiz	Board Member

Report of Independent Auditors

Board of Directors
Mid-Region Council of Governments
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying 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 Mid-Region Council of Governments (MRCOG) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise MRCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of MRCOG as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of MROCG's proportionate share of net pension liability, schedule of MRCOG's contributions and note, schedule of MRCOG's proportionate share of net OPEB liability New Mexico Retiree Healthcare Authority, schedule of MRCOG's contributions and notes New Mexico Retiree Healthcare Authority, and schedule of MRCOG's OPEB liability and related ratios life insurance OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 MRCOG's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is not a required part of the basic financial statements. The description of non-major special revenue funds, the combining and individual fund financial statements for all non-major funds, and schedule of pledged collateral (collectively, supplementary information) in the table of contents are presented for purpose of additional analysis and are not a required part of the financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 25, 2019 on our consideration of MRCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MRCOG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRCOG's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 25, 2019

State of New Mexico

Mid-Region Council of Governments

Management's Discussion and Analysis

Year Ended June 30, 2019

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 and the significant differences in information the financial statements provide.

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. Areas of technical expertise include map making and Geographic Information Systems analysis; gathering data about population, employment, land use, and traffic flow, as well as developing forecasts to project what these figures will be in the future.

Recent Program Opportunities

Transportation – MRCOG serves as the agent for the Rio Metro Regional Transit District and the New Mexico Department of Transportation for operation of the New Mexico Rail Runner Express commuter rail service and several transit services in the region (Belen, Los Lunas, Rio Rancho and Sandoval County). The commuter rail and transit services are funded through a combination of fare box revenue and fees, Federal and State funds, and regional transit gross receipts taxes.

MRCOG also serves as the Mid-Region Metropolitan Planning Organization (MRMPO). MRMPO develops the Metropolitan Transportation Plan (MTP) and develops the Transportation Improvement Program (TIP). The Futures 2040 Metropolitan Transportation Plan was adopted by the Metropolitan Transportation Board in April 2016. Since then, MRCOG/MRMPO staff have been working in various ways and on various activities to get the plan on its feet. These activities include MTP Outreach, developing a regional Safe Routes to School Program, helping facilitate the various phases of the Regional Transportation Management Center, developing the Long-Range Transportation System Guide, and maintaining the TIP, among many other activities.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019

The University of New Mexico (UNM), Central New Mexico Community College (CNM), and Sunport area is the focus of a study that will identify how transit can best meet the variety of transportation needs associated with this area - students and employees traveling to classes and jobs, residents traveling within the area, and travel needs associated with business activities and other destinations in the area. This study is a collaborative effort of the City of Albuquerque, Bernalillo County, UNM, CNM, and MRCOG, serving as the lead agency.

Regional Planning – The Regional Planning Program at MRCOG house the Local Planning Assistance (LPA) Program and the Rural Transportation Planning Organization (RTPO). Through LPA program, staff assist communities in the Mid-Region by providing workshops and training for municipal staff and elected officials, as well as developing comprehensive plans and update land use ordinances. The RTPO handles funding prioritization for transportation projects in rural communities such as Transportation Alternatives Program and Rec Trails Program funding. RTPO staff works with communities to determine project feasibility and long-term project planning.

MRCOG maintains the Agribusiness Collaborative, an organization dedicated to preserving and improving the agricultural economy of the region. The Agribusiness Collaborative meets monthly and is comprised of farmers, food processors, representatives of food markets, educators, government agencies and others interested in local agriculture. MRCOG publishes a quarterly newsletter focusing on building connections between local producers and local markets.

Economic Development: Since 1973, MRCOG has been designated as the Economic Development District by the U.S. Department of Commerce for the four-county region of MRCOG. In support of this designation, MRCOG provides technical and planning assistance to entities seeking funds from the US Department of Commerce, Economic Development Administration (EDA). A three-year EDA planning grant to the MRCOG is currently in effect. MRCOG staff prepares and maintains a summary document of the region's economic conditions, development activities, and strategies for improving local and regional economies in a report entitled the Comprehensive Economic Development Strategy (CEDs). Various organizations use the CEDs report as a basis for taking actions to improve the economy.

MRCOG is coordinating a Transportation and Logistics HUB Study to identify how the region's infrastructure and development can support increases in freight logistics, assembly of goods, production manufacturing, and international trade. Central New Mexico has several geographic and infrastructure advantages, including: Two interstates the bisect the region; an equidistant location from both the Port of Los Angeles and the Port of Houston; the Belen Terminal on the Burlington Northern Santa Fe Transcontinental rail line. In addition, the Albuquerque Sunport has immense air cargo capacity, the region's Foreign Trade Zone is expanding, providing tax incentives to more companies wishing to import and assemble products, and several trans-load facilities are lining up to take advantage of rail-to-truck activity. The study also will identify specific industry areas to build on or tap into and the modes of transportation associated with each. That analysis will lead to suggestions about strategic infrastructure investments, policy changes and other strategies to pursue that best leverages the region's assets. The study was released in fiscal year 2017 and MRCOG continues to work on the planning and implementation of the study's results.

**State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019**

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, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds are 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 22 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, 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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019

Budgetary Comparisons – MRCOG does maintain a budget for informational and managerial purposes. The budget is 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, and the nonmajor special revenue funds budgetary comparisons are presented in supplementary information.

Financial Analysis of the Council

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 other planning activities continue to grow as MRCOG expands its services and expertise in the region.

Over the past twenty-six years the number of funds (projects) administered by MRCOG has increased from twelve (12) during fiscal year 1992 to (22) during fiscal year 2019. Total expenditures over the same period, including capital projects, have increased from \$1.3 million during the fiscal year ending June 30, 1992 to \$11.9 million during the fiscal year ending June 30, 2019. Over \$7.5 million of current year expenditures relate to Rio Metro operations.

MRCOG's net deficit increased by \$1,466,287 compared to the prior year, from (\$12,630,466) as of June 30, 2018 to (\$14,096,753) as of June 30, 2019. The increase in net deficit was principally a result of the increase in pension and other post employee benefits (OPEB) expense. MRCOG implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) during the year ended June 30, 2018. With the implementation of GASB 75, MRCOG was allocated its proportional share of the net OPEB liability of New Mexico Retiree Healthcare Authority, deferred outflows of resources, deferred inflows of resources, and OPEB expense. MRCOG also recorded OPEB liability, deferred inflows/outflows of resources for the life insurance benefit MRCOG provides to its employees.

Compared to the year ended June 30, 2018, MRCOG's total governmental funds expenditures increased from \$11.5 million (FY18) to \$11.9 million (FY19), a change of approximately \$400,000. Approximately \$263,000 of the increase is the result of an increase of salaries for Rio Metro employees, specifically bus drivers. Based on market research, Rio Metro adjusted salaries for bus drivers to be in line with what other transit providers are paying its bus drivers in the Albuquerque metropolitan area. Approximately \$102,000 of the increase relates to the increase of staffing for Workforce Connections of Central New Mexico.

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019

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

	Governmental Activities Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
EXPENSES	\$ (13,581,155)	\$(12,639,730)
CHARGES FOR SERVICES	8,502,672	8,306,532
OPERATING GRANTS	<u>3,610,373</u>	<u>3,524,895</u>
	(1,468,110)	(808,303)
GENERAL REVENUES	<u>1,823</u>	<u>1,339</u>
CHANGE IN NET POSITION	<u>(1,466,287)</u>	<u>(806,964)</u>
NET DEFICIT		
Beginning of year	<u>(12,630,466)</u>	<u>(11,823,502)</u>
End of year	<u>\$ (14,096,753)</u>	<u>\$(12,630,466)</u>

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019

Changes in Net Position – MRCOG's change in net position for fiscal year 2019 was a decrease of \$1,466,287. The table below reflects the changes in net position.

	<u>2019</u>	<u>2018</u>
EXPENSES	\$ (13,581,155)	\$(12,639,730)
CHARGES FOR SERVICES	8,502,672	8,306,532
OPERATING GRANTS	<u>3,610,373</u>	<u>3,524,895</u>
	(1,468,110)	(808,303)
GENERAL REVENUES	<u>1,823</u>	<u>1,339</u>
CHANGE IN NET POSITION	<u>(1,466,287)</u>	<u>(806,964)</u>
NET DEFICIT		
Beginning of year	<u>(12,630,466)</u>	<u>(11,823,502)</u>
End of year	<u><u>\$ (14,096,753)</u></u>	<u><u>\$(12,630,466)</u></u>

State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019

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

	Governmental Activities Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
REVENUES		
Federal	\$ 2,961,059	\$ 2,937,308
State	84,714	84,714
Charges for service	45,817	37,242
Local	913,739	924,022
Miscellaneous	-	147,648
Indirect allocation in excess of overhead	339,810	327,082
Reimbursement of Rio Metro costs	7,767,906	7,373,411
Interest	<u>1,823</u>	<u>1,339</u>
Total revenues	<u>12,114,868</u>	<u>11,832,766</u>
EXPENDITURES		
Operations	3,661,448	3,337,759
Contractual	450,429	507,045
Expenses reimbursed by Rio Metro	7,549,670	7,355,196
Capital outlay	55,454	89,394
Debt service	<u>146,837</u>	<u>146,837</u>
Total expenditures	<u>11,863,838</u>	<u>11,436,231</u>
EXCESS OF REVENUES OVER EXPENDITURES	251,030	396,535
FUND BALANCES		
Beginning of year	<u>1,715,784</u>	<u>1,319,249</u>
End of year	<u>\$ 1,966,814</u>	<u>\$ 1,715,784</u>

Analysis of Major Funds

General Fund (Fund 010) – Revenues in the General Fund decreased approximately \$152,000 from FY18 to FY19. Expenditures increased approximately \$9,000 from FY18 to FY19. The change in revenues and expenditures was caused by actual indirect costs incurred being less than indirect costs allocated in FY19. 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. The increase in expenditures is primarily due to the increase in operating costs in FY19 over FY18.

Rio Metro Operations – Rio Metro Operations reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by Rio Metro. In FY19, Rio Metro Operations expenditures totaled over \$7.5 million, an increase of approximately \$263,000 from FY18. This increase is due the increase of bus driver salaries due to adjusting salaries to market in order to offer competitive salaries to its drivers.

Workforce Grants – Workforce grants reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by Workforce Connections of Central New Mexico (WCCNM). In FY19, Workforce Grants expenditures totaled over \$1.2 million, an increase of approximately \$102,000 from FY18. This increase is primarily due of the addition of staff to WCCNM and turnover in key positions.

Budgetary Highlights

- General Fund – The favorable budget variance is about 18% of the budget. Most of the variance is due to the capital budget not being utilized. The remaining budget variance is primarily due to operating expenditures coming in under budget.
- Rio Metro Operations – Rio Metro's favorable budget variance is about 2% of the budget and is not a substantial difference.
- Workforce Grants – Workforce's favorable budget variance is about 22% of the budget. The variance is caused mainly by the TechHire grant. Not all budgeted employee positions were filled during the year, causing the budget variance of approximately \$334,000.

**State of New Mexico
Mid-Region Council of Governments
Management's Discussion and Analysis
Year Ended June 30, 2019**

Fund Balance – MRCOG's governmental funds reported combined fund balances of \$1,966,814. This is \$251,030 higher than the previous year. The main contributing factor is the increase in revenues 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 \$500,000 of the \$1.9 million fund balance as a reserve for unexpected downturns and claims.

Capital Assets – MRCOG's investment in capital assets as of June 30, 2019 totaled \$3,282,133. Capital assets consist mainly of office equipment, vehicles, and a building. Depreciation expense of \$265,720 was recorded in the current year. Additions of \$55,454 were purchased during the year ended June 30, 2019, and deletions of \$256,668 were disposed of during the year. Both additions and deletions consist mainly of equipment.

Long-Term Debt – Long-term debt consists of the capital lease of MRCOG's building at 809 Copper Avenue NW, Albuquerque, NM 87102. MRCOG leases the building from Bernalillo County. The loan includes the capital lease of \$1,612,644 plus \$750,000 that the County loaned to MRCOG for building renovations and replacement of the HVAC system. The net decrease to debt is \$135,859 from FY18 to FY19. As of June 30, 2019, MRCOG had total long-term debt in the amount of \$1,615,272.

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 2020 budget is substantially the same as 2019 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 the New Mexico Department of Transportation (NMDOT) and the Rio Metro Regional Transit District for operation of the commuter rail service. NMDOT's Intelligent Transportation Center (ITC) is located in the lower level of the MRCOG building. The ITC monitors traffic flow on Albuquerque's interstate system via video surveillance and traffic monitoring devices. 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, 2019

	Governmental Activities
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,590,301
Other receivables	32,672
Grant reimbursements receivable	397,525
Related entity receivables	917,534
Prepaid expenses	31,357
Total current assets	3,969,389
NONCURRENT	
Capital assets not being depreciated	683,800
Capital assets, net of accumulated depreciation	2,598,333
Total noncurrent assets	3,282,133
TOTAL ASSETS	\$ 7,251,522
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pensions	\$ 2,520,808
Deferred outflow of resources related to OPEB	158,207
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 2,679,015
CURRENT LIABILITIES	
Accounts payable	\$ 1,289,562
Accrued payroll liabilities	414,515
Accrued compensated absences	413,147
Unearned grant advances	298,498
Current portion of capital lease payable	136,744
Total current liabilities	2,552,466
NONCURRENT	
Accrued compensated absences	168,080
Net pension liability	11,127,109
Net OPEB liability	6,549,512
Capital lease payable, net of current portion	1,478,528
Total noncurrent liabilities	19,323,229
TOTAL LIABILITIES	\$ 21,875,695
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to pensions	\$ 356,115
Deferred inflow of resources related to OPEB	1,795,480
TOTAL DEFERRED INFLOW OF RESOURCES	\$ 2,151,595
NET POSITION (DEFICIT)	
Net investment in capital assets	\$ 1,666,861
Unrestricted deficit	(15,763,614)
NET DEFICIT	\$ (14,096,753)

State of New Mexico
Mid-Region Council of Governments
Statement of Activities – Governmental Activities
Year Ended June 30, 2019

Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
General activities	\$ 2,029,928	\$ 953,002	\$ -	\$ (1,076,926)
Reimbursement of Rio Metro costs	7,549,670	7,549,670	-	-
Transportation planning	2,073,568	-	1,859,509	(214,059)
Economic development	179,723	-	129,807	(49,916)
Employment development	1,214,064	-	1,214,064	-
Other planning programs	534,202	-	406,993	(127,209)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 13,581,155</u>	<u>\$ 8,502,672</u>	<u>\$ 3,610,373</u>	(1,468,110)
INTEREST				<u>1,823</u>
CHANGE IN NET POSITION				(1,466,287)
NET POSITION (DEFICIT)				
Beginning of year				<u>(12,630,466)</u>
End of year				<u>\$ (14,096,753)</u>

State of New Mexico
Mid-Region Council of Governments
Balance Sheet – Governmental Funds
June 30, 2019

	Special Revenue Funds				Total Governmental Funds
	General	Rio Metro Operations	Workforce Grants	Other Non-Major Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 2,590,301	\$ -	\$ -	\$ -	\$ 2,590,301
Other receivables	23,128	-	-	9,544	32,672
Grants reimbursements receivables	-	-	-	397,525	397,525
Interfund receivables	592,362	-	-	208,789	801,151
Related entity receivables	-	578,132	95,959	243,443	917,534
Prepaid expenses	31,357	-	-	-	31,357
	<u>\$ 3,237,148</u>	<u>\$ 578,132</u>	<u>\$ 95,959</u>	<u>\$ 859,301</u>	<u>\$ 4,770,540</u>
LIABILITIES					
Accounts payable	\$ 1,182,576	\$ -	3,492	\$ 103,494	\$ 1,289,562
Accrued payroll liabilities	87,758	239,286	28,159	59,312	414,515
Interfund payable	-	338,846	64,308	397,997	801,151
Unearned grant advances	-	-	-	298,498	298,498
	<u>1,270,334</u>	<u>578,132</u>	<u>95,959</u>	<u>859,301</u>	<u>2,803,726</u>
FUND BALANCES					
Committed	500,000	-	-	-	500,000
Unassigned	1,466,814	-	-	-	1,466,814
	<u>1,966,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,966,814</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,237,148	\$ 578,132	\$ 95,959	\$ 859,301	\$ 4,770,540
RECONCILIATION					
Total fund balances - governmental funds					\$ 1,966,814
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					3,282,133
Deferred outflow of resources related to pensions					2,520,808
Deferred outflow of resources related to OPEB-NMRHCA					129,269
Deferred outflow of resources related to OPEB - life insurance					28,938
Deferred inflow of resources related to pensions					(356,115)
Deferred inflow of resources related to OPEB-NMRHCA					(1,737,385)
Deferred inflow of resources related to OPEB - life insurance					(58,095)
Capital lease payable, long-term debt					(1,615,272)
Net pension liability, long-term liabilities					(11,127,109)
Net OPEB liability, long-term liabilities - NMRHCA					(5,837,631)
Net OPEB liability, long-term liabilities - life insurance					(711,881)
Compensated absences, long-term liabilities					(581,227)
NET DEFICIT OF GOVERNMENTAL ACTIVITIES					\$ (14,096,753)

**State of New Mexico
Mid-Region Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Rio Metro Operations	Workforce Grants	Other Non-Major Governmental Funds	
REVENUES					
Intergovernmental					
Federal grants and contracts	\$ -	\$ -	\$ 1,214,064	\$ 1,746,995	\$ 2,961,059
State of New Mexico grants	-	-	-	84,714	84,714
Charges for services	45,817	-	-	-	45,817
Local	567,375	-	-	346,364	913,739
Miscellaneous	-	-	-	-	-
Indirect allocation in excess of overhead	339,810	-	-	-	339,810
Reimbursement of Rio Metro cost	-	7,549,670	-	218,236	7,767,906
Interest	1,823	-	-	-	1,823
Total revenues	954,825	7,549,670	1,214,064	2,396,309	12,114,868
EXPENDITURES					
Current					
Operating	93,820	-	1,214,064	2,353,564	3,661,448
Contractual	16,500	-	-	433,929	450,429
Expenditures reimbursed by Rio Metro	-	7,549,670	-	-	7,549,670
Capital outlay	40,012	-	-	15,442	55,454
Debt service	-	-	-	-	-
Principal and interest	146,837	-	-	-	146,837
Total expenditures	297,169	7,549,670	1,214,064	2,802,935	11,863,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	657,656	-	-	(406,626)	251,030
OTHER FINANCING SOURCES/USES					
Operating transfers in	-	-	-	408,595	408,595
Operating transfers out	(406,626)	-	-	(1,969)	(408,595)
	(406,626)	-	-	406,626	-
NET CHANGES IN FUND BALANCE	251,030	-	-	-	251,030
FUND BALANCE					
Beginning of year	1,715,784	-	-	-	1,715,784
End of year	<u>\$ 1,966,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,966,814</u>
RECONCILIATION					
Net changes in fund balances - governmental funds					\$ 251,030
Amounts reported for governmental activities in the statement of net position are different because:					
Increase in pension expense					(1,558,376)
Increase in OPEB expense					(83,450)
Principal portion of capital lease payable					135,859
Depreciation expensed in the statement of activities					(265,720)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported					55,454
Change in accrued vacation and sick liabilities					<u>(1,084)</u>
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES					<u>\$ (1,466,287)</u>

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: General Fund
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
ITS lease	\$ 45,000	\$ 45,817	\$ 45,817	\$ -
Local	567,382	567,382	567,375	(7)
Interest and other	-	-	341,633	341,633
	<u>612,382</u>	<u>613,199</u>	<u>954,825</u>	<u>341,626</u>
CURRENT EXPENDITURES				
Operating	62,000	62,000	48,003	13,997
Contractual	18,000	18,000	16,500	1,500
ITS lease	45,000	45,817	45,817	-
Capital outlay/debt service	235,000	235,000	186,849	48,151
	<u>360,000</u>	<u>360,817</u>	<u>297,169</u>	<u>63,648</u>
Operating transfers out	<u>(567,382)</u>	<u>(567,382)</u>	<u>(406,626)</u>	<u>160,756</u>
Net change in fund balance	252,382	252,382	251,030	(1,352)
Fund balance required to balance budget	<u>1,715,784</u>	<u>1,715,784</u>	<u>1,715,784</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u><u>\$ 1,968,166</u></u>	<u><u>\$ 1,968,166</u></u>	<u><u>\$ 1,966,814</u></u>	<u><u>\$ (1,352)</u></u>

State of New Mexico
Mid-Region Council of Governments
Statement of Revenues and Expenditures –
Budget and Actual: Rio Metro Operations
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Federal revenue	\$ -	\$ -	\$ -	\$ -
Reimbursement of Rio Metro costs	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,549,670</u>	<u>(150,330)</u>
Total revenues	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,549,670</u>	<u>(150,330)</u>
CURRENT EXPENDITURES				
Incurred on behalf of Rio Metro	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,549,670</u>	<u>150,330</u>
Total current expenditures	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,549,670</u>	<u>150,330</u>
CHANGES IN FUND BALANCE	<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
Statement of Revenues and Expenditures –
Budget and Actual: Workforce Grants
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Federal revenue	<u>\$ 1,458,000</u>	<u>\$ 1,548,062</u>	<u>\$ 1,214,064</u>	<u>\$ (333,998)</u>
Total revenues	<u>1,458,000</u>	<u>1,548,062</u>	<u>1,214,064</u>	<u>(333,998)</u>
CURRENT EXPENDITURES				
Operating	<u>1,458,000</u>	<u>1,548,062</u>	<u>1,214,064</u>	<u>333,998</u>
Total current expenditures	<u>1,458,000</u>	<u>1,548,062</u>	<u>1,214,064</u>	<u>333,998</u>
CHANGES IN FUND BALANCE	<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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of Entity

Mid-Region Council of Governments of New Mexico (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 entity. It is the financial reporting entity, and 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 resources 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 generally accepted accounting principles generally accepted in the United States of America (GAAP).

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

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund Financials

The fund financial statements presented, emphasis is on the major funds in the governmental category. Non-major funds are summarized into a single column. The governmental fund statements are presented on a current financial resources 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 (No. 20 & 21)* – 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)

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.

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 fair 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 in regards to MRCOG's capital assets. 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.

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, 2019.

Note 1 – Summary of Significant Accounting Policies (continued)

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. 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 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. The MRCOG then invoices Rio Metro for these expenditures. See Note 7 for detail of these revenues and expenditures.

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 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, 2019.
- *Unrestricted* - the difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance

In the fund level 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 or 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

State of New Mexico

Mid-Region Council of Governments

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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 under GASB Statement No. 77.

New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which was effective for the year ended June 30, 2019. This standard was implemented during the year ended June 30, 2019.

The GASB has issued GASB No. 87, *Leases*, which will be effective for the year ending June 30, 2021. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognition of inflows of resources or outflows of resources based on the payment provisions of the lease contract. Under the Statement, a lessee will recognize a lease liability and an intangible right-to-use lease asset, and a lessor will recognize a lease receivable and a deferred inflow of resources. Management is evaluating the effect that the implementation of this Statement will have on MRCOG's 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.

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

Note 2 – Deposit and Investment Accounts (continued)

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, 2019, the amount of MRCOG's bank balance of \$2,660,095 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 514,124
Uninsured and collateral held by pledging bank's trust department not in MRCOG's name	1,645,971
Insured	<u>500,000</u>
	<u>\$ 2,660,095</u>

Following are the descriptions of the cash and repurchase agreements as of June 30, 2019:

	<u>Book Balance</u>	<u>Bank Balance</u>
Repurchase agreement sweep account	\$ 475,985	\$ 475,985
Checking account	1,430,093	1,500,000
Business savings account	<u>684,109</u>	<u>684,109</u>
Total	<u>\$ 2,590,187</u>	2,660,094
Outstanding checks		<u>(69,793)</u>
Per financial statements		<u>\$ 2,590,301</u>

Note 3 – Interfund Receivables/Payables and Transfers

Interfund accounts were as follows as of June 30, 2019:

	<u>Due To</u>	<u>Due From</u>
Due to general fund from major and nonmajor funds	\$ 592,362	\$ -
Due from Rio Metro operations	-	338,846
Due from Workforce Grants to general fund	-	64,308
Due to nonmajor funds from general fund	208,789	-
Due from nonmajor funds to general fund	<u>-</u>	<u>397,997</u>
	<u>\$ 801,151</u>	<u>\$ 801,151</u>

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 of the Interfund balances as of June 30, 2019 to be repaid within one year.

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

Note 3 – Interfund Receivables/Payables and Transfers (continued)

Matching funds transfers are made by the General Fund as required to meet the matching requirements of grants. During the year ended June 30, 2019, \$406,626 was transferred from the General Fund to the Non-Major Special Revenue Funds. In addition, \$1,969 was transferred from the Transportation Surveillance Program Fund to the General Fund.

Note 4 – Capital Assets

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

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
NONDEPRECIABLE					
Land	\$ 683,800	\$ -	\$ -	\$ -	\$ 683,800
DEPRECIABLE					
Buildings and improvements	2,792,822	-	-	-	2,792,822
Furniture, fixtures, and machinery	2,423,538	55,454	(256,668)	-	2,222,324
Total assets	5,900,160	55,454	(256,668)	-	5,698,946
ACCUMULATED DEPRECIATION					
Building	(880,565)	(69,821)	-	-	(950,386)
Furniture, fixtures, and machinery	(1,527,196)	(195,899)	256,668	-	(1,466,427)
Total accumulated depreciation	(2,407,761)	(265,720)	256,668	-	(2,416,813)
TOTAL CAPITAL ASSETS, NET	\$ 3,492,399	\$ (210,266)	\$ -	\$ -	\$ 3,282,133

Furniture, fixtures, and machinery have been provided from grants accounted for in Special Revenue Funds in the amount of \$2,423,538 including on hand at June 30, 2019, \$8,882 in surplus (idle) equipment that is fully depreciated and included in the capital assets. Depreciation expense for the year ended June 30, 2019 totaled \$265,720.

Note 5 – Accrued Vacation and Sick Leave

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

Note 5 – Accrued Vacation and Sick Leave (continued)

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, 2019, for vacation and sick leave which has been earned but not taken by MRCOG employees. Accrued vacation and sick leave is charged to grant programs in accordance with the Uniform Guidance.

The accumulated leave as of June 30, 2019, has been recorded as a liability with a current portion of \$413,147 and a long-term portion of \$168,080. Funds accumulated from grantor reimbursements are used to liquidate the funded portion of the liabilities, which total \$581,227 at June 30, 2019. Detail of accumulated leave for the year is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
\$ 582,311	\$ 54,451	\$ (55,535)	\$ 581,227	\$ 413,147

Note 6 – Changes in Long-Term Debt

A summary of long-term debt and changes in long-term debt for the year ended June 30, 2019 is as follows:

Building and land located at 809 Copper Avenue N.W.
Lessor-Bernalillo County
Term-25 years beginning August 2005

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Note 6 – Changes in Long-Term Debts (continued)

Future amounts due under capital leases payable are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 136,744	\$ 10,092
2021	137,636	9,201
2022	138,533	8,304
2023	139,436	7,400
2024	140,345	6,491
2025-2029	715,571	18,613
2030-2031	<u>207,007</u>	<u>1,011</u>
	1,615,272	<u>\$ 61,112</u>
Less current portion	<u>(136,744)</u>	
Long-term portion of debt	<u>\$ 1,478,528</u>	

Capital leases payable had the following activity during the year ended June 30, 2019:

	<u>June 30, 2018</u>	<u>Reductions</u>	<u>Additions</u>	<u>June 30, 2019</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Capital lease	<u>\$ 1,751,131</u>	<u>\$ (135,859)</u>	<u>\$ -</u>	<u>\$ 1,615,272</u>	<u>\$ 136,744</u>

Note 7 – Rio Metro Reimbursements/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 break out of what these expenditures consists of:

Reimbursement to MRCOG	
Rio Metro RTD Revenue	\$7,549,670
Incurred on behalf of Rio Metro	
Operating Expenses	\$7,549,670

Note 8 – PERA Pension Plan

Plan Description

Public Employees Retirement Association (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.

Tier II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, per employee. Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

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Note 8 – PERA Pension Plan (continued)

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 FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available at <http://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 \$590,982 for the year ended June 30, 2019 and there was \$610,167 in employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2019.

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

At June 30, 2019, MRCOG reported a liability of \$11,127,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. MRCOG’s proportion of the net pension liability was based on a projection of MRCOG’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, MRCOG’s proportion was 0.6979%, which was an increase of 0.0447% from its proportion measured as of June 30, 2017.

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Note 8 – PERA Pension Plan (continued)

For the year ended June 30, 2019, MRCOG recognized pension expense of \$1,976,684. As of June 30, 2019, MRCOG reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 321,595	\$ (292,138)
Changes of assumptions	1,008,830	(63,977)
Net difference between projected and actual earnings on pension plan investments	825,243	-
Changes in proportion and differences between MRCOG contributions and proportionate share of contributions	(225,842)	-
Employer contributions subsequent to the measurement date	<u>590,982</u>	<u>-</u>
	<u>\$ 2,520,808</u>	<u>\$ (356,115)</u>

The amount of \$590,982 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 1,778,151
2021	(382,307)
2022	135,092
2023	<u>42,775</u>
	<u>\$ 1,573,711</u>

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Notes to Financial Statements**

Note 8 – PERA Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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Note 8 – PERA Pension Plan (continued)

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

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	43.50%	7.39%
Risk reduction and mitigation	21.50%	1.79%
Credit-oriented fixed income	15.00%	5.77%
Real assets	20.00%	7.35%
	<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, 2018. 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>\$ 17,146,129</u>	<u>\$ 11,127,109</u>	<u>\$ 6,151,426</u>

**State of New Mexico
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Notes to Financial Statements**

Note 8 – PERA Pension Plan (continued)

Pension Plan Fiduciary Net Position

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

Note 9 – City of Albuquerque Services

The City of Albuquerque provides administrative support to the MRCOG for payroll, personnel, computer services, legal and risk management, among other things, under a contractual agreement.

Note 10 – 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, 2019:

Insurer and Policy Type	Term	Coverage
New Mexico Mutual (worker’s compensation)	2/12/19 – 2/12/20	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).
Allied World Public officials liability	9/29/18 – 9/29/19	\$1,000,000 each occurrence. No general aggregate limit.
Scottsdale Insurance Co. General liability	9/29/18 – 9/29/19	\$1,000,000 each occurrence, \$1,000,000 aggregate.
Allianz Global Corporate & Specialty Property	7/1/19 – 7/1/20	\$833,857 EDP equipment and software, \$424,154 business personal property, other limitations apply.
National Union Fire Insurance Co. City of Albuquerque Risk Management Fund	7/1/19 -7/1/20	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

Note 11 – Post-Employment Benefits

MRCOG provides healthcare OPEB through NMRHCA and also provides continuation of life insurance coverage OPEB 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.

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Note 11 – Post-Employment Benefits (continued)

Employees Covered by Benefit Terms

As of June 30, 2018, the NMRHCA measurement date, the following employees were covered:

PLAN MEMBERSHIP	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
 TOTAL PLAN MEMBERSHIP	 <u><u>156,025</u></u>
 ACTIVE MEMBERSHIP	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
 TOTAL ACTIVE MEMBERSHIP	 <u><u>93,349</u></u>

Contributions

Employer and employee contributions to NMRHCA total 3% 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, 2019, MRCOG reported a liability of \$5,837,631 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. MRCOG's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the MRCOG's proportion was .146%.

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Note 11 – Post-Employment Benefits (continued)

For the year ended June 30, 2019, MRCOG recognized OPEB expense of \$182,302. At June 30, 2019 MRCOG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (376,130)
Changes in assumptions	-	(1,186,052)
Net difference between projected and actual earnings on OPEB plan investments	-	(79,281)
Changes in proportion and differences between MRCOG contributions and proportionate share of contributions	-	(95,922)
MRCOG contributions subsequent to the measurement date	129,269	-
Total	\$ 129,269	\$ (1,737,385)

Deferred outflows of resources totaling \$129,269 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, 2020. 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,	
2020	\$ (438,441)
2021	(437,441)
2022	(437,441)
2023	(342,444)
2024	(83,618)
	\$ (1,739,385)

**State of New Mexico
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Note 11 – 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, 2017
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	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.25 to 12.50% based on years of service, including inflation%
Investment rate of return	7.25%, 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 12 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: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)PERA members: RP-2000 Combined Healthy Mortality

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.

Note 11 – Post-Employment Benefits (continued)

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

Asset Class	Long-term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the NMRHCA’s total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
<u>\$ 7,173,407</u>	<u>\$ 5,837,631</u>	<u>\$ 4,782,661</u>

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Note 11 – Post-Employment Benefits (continued)

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>\$ 4,855,033</u>	<u>\$ 5,837,631</u>	<u>\$ 6,608,010</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

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 the Public Employees Retirement Association (PERA) of New Mexico.

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.

**State of New Mexico
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Note 11 – Post-Employment Benefits (continued)

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

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 8 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, 2018, the plan’s measurement date, the following employees were covered by the benefit terms:

Number of active plan members	122
Number of inactive plan members currently receiving benefits	22
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 \$0.35 per \$1,000 of life insurance for active and retired employees, regardless of age. Premiums paid to the insurance plan from MRCOG were \$12,530 for the year ended June 30, 2019.

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Notes to Financial Statements

Note 11 – Post-Employment Benefits (continued)

Components of Net Position and Expense – At June 30, 2019, MRCOG reported a liability of \$711,881 for life insurance OPEB. The OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. For the year ended June 30, 2019, the MRCOG recognized OPEB expense of \$54,684. The following schedule shows the development of Net Position and Expense as of the Measurement Date:

Plan Summary Information
Measurement Date is June 30, 2018

ITEMS IMPACTING NET POSITION	
Total OPEB liability	\$ 711,881
Fiduciary net position	<u>-</u>
Net OPEB liability (asset)	<u>711,881</u>
Deferred (outflows) inflows of resources due to:	
Assumption changes	41,687
Contributions subsequent to measurement date	<u>(12,530)</u>
Net deferred (outflows) inflows of resources	<u>29,157</u>
IMPACT ON STATEMENT OF NET POSITION	
FISCAL YEAR END JUNE 30, 2019	<u>\$ 741,038</u>
ITEMS IMPACTING OPEB EXPENSE	
Service cost	\$ 42,968
Interest cost	21,177
Recognized deferred resource items	
Assumption changes	<u>(9,461)</u>
TOTAL OPEB EXPENSE	<u>\$ 54,684</u>

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

Note 11 – 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	June 30, 2018 June 30, 2017	June 30, 2019 June 30, 2018	Change During Period
Total OPEB liability	\$ 638,741	\$ 711,881	\$ (73,140)
Fiduciary net position	-	-	-
Net OPEB liability (asset)	638,741	711,881	(73,140)
Deferred resources (outflows) inflows due to			
Assumption changes	70,429	41,687	28,742
Contributions made subsequent to the measurement date	(10,286)	(12,530)	2,244
Net deferred (outflows) inflows	60,143	29,157	30,986
Impact on statement of net position	\$ 698,884	\$ 741,038	\$ (42,154)
Change in net position during the fiscal year			
Impact on statement of net position June 30, 2018		\$ 698,884	
OPEB expense (income)		54,684	
Employer contributions during fiscal year		(12,530)	
Impact on statement of net position June 30, 2019		\$ 741,038	
OPEB expense			
Employer contributions during fiscal year		\$ 12,530	
Deterioration (improvement) in net position		42,154	
OPEB expense (income), fiscal year ending June 30, 2019		\$ 54,684	

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

Note 11 – Post-Employment Benefits (continued)

At June 30, 2019, the MRCOG reported deferred outflows of resources and deferred inflows of resources related to life insurance OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 16,408	\$ 58,095
MRCOG contributions subsequent to the measurement date	<u>12,530</u>	<u>-</u>
	<u>\$ 28,938</u>	<u>\$ 58,095</u>

Deferred outflows of resources totaling \$12,530 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (9,461)
2021	(9,461)
2022	(9,461)
2023	(9,461)
2024	(5,886)
Thereafter	<u>2,043</u>
	<u>\$ (41,687)</u>

The Expected Average Remaining Service Life was 6.71 years. This is the period used to recognize 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 11 – 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, 2017
Measurement Period	June 30, 2018
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:	2.98% as of June 30, 2018, 3.13% as of June 30, 2017,
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	4.25% per year, used only to allocate the cost of benefits between services years
General Inflation Rate	2.75% per year

Discount Rate. The discount rate used in the valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, this index requires use of discount rate of 2.98% and 3.13% as of June 30, 2018 and 2017, respectively.

Sensitivity of Liabilities to Changes in Discount Rate. The discount rate used for the fiscal year-end 2019 is 2.98%. 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 (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB liability	<u>\$ 861,366</u>	<u>\$ 711,881</u>	<u>\$ 595,942</u>

Note 12 – Post-Employment Benefits

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.

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

Note 13 – Operations, Maintenance, and Management Services Agreement

MRCOG has an operation, maintenance, and management agreement with the City of Albuquerque, Rio Metro and WCCNM. The City of Albuquerque processes and pays all payroll for the MRCOG. The employees that work on Rio Metro and WCCNM are not employees of Rio Metro and WCCNM but are employees of the MRCOG. MRCOG invoices Rio Metro and WCCNM for their portion of salaries relating to the use of MRCOG employees as well as rent and other operating expenses. The MRCOG reimbursed the City of Albuquerque \$10,407,746 for payroll, fringe benefits and processing costs and \$100,585 for other charges. During the year ended June 30, 2019, MRCOG was reimbursed \$7,767,906 by Rio Metro and \$1,214,064 by WCCNM for payroll and other operating expenses.

Note 14 – Related Entity Transactions

Rio Metro

MRCOG's accounts receivable balance from Rio Metro was \$578,132 as of June 30, 2019.

WCCNM

MRCOG's accounts receivable balance from WCCNM was \$95,959 as of June 30, 2019.

Payments made to related entities the year ended June 30, 2019:

Bernalillo County—loan payments	\$ 146,837
WCCNM	\$ 83,644

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 the Pension Liability
Year Ended June 30, 2019

	2019	2018	2017	2016
MRCOG's proportion of the net pension liability	0.6979%	0.6532%	0.6148%	0.6358%
MRCOG's proportionate share of the net pension liability	\$ 11,127,109	\$ 8,975,521	\$ 9,822,435	\$ 6,295,269
MRGOG's covered-employee payroll	\$ 6,188,298	\$ 6,228,000	\$ 5,706,073	\$ 5,263,654
MRGOG's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.81%	144.12%	172.14%	119.60%
Plan's fiduciary net position as a percentage of the total pension liability	71.13%	73.14%	69.18%	76.99%

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, 2019

	2019	2018	2017	2016
Contractually required contribution	\$590,982	\$594,744	\$544,930	\$502,679
Contributions in relation to the contractually required contribution	\$590,982	\$594,744	\$544,930	\$502,679
Contribution deficiency (excess)	-	-	-	-
Mid-Rio Council of Governments' covered-employee payroll	\$6,188,297	\$6,228,000	\$5,706,073	\$5,263,654
Contribution as a percentage of covered-employee payroll	9.55%	9.55%	9.55%	9.55%

Notes

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Mid-Region Council of Governments' 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 the PERA FY 18 audit available at:

<http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2018-FINAL.pdf>

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 the OPEB Liability -
NMRHCA
Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
MRCOG's proportion of the net OPEB liability	.1461%	0.1343%
MRCOG's proportionate share of the net OPEB liability	\$6,353,715	\$6,625,672
MRGOG's covered payroll	\$6,228,000	\$ 6,227,996
MRGOG's proportionate share of the net OPEB liability as a percentage of its covered payroll	102.02%	101.09%
Fiduciary net position as a percentage of total OPEB liability	13.14%	11.34%

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 - NMRHCA
Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$123,766	\$124,560
Contributions made by MRCOG	<u>\$123,766</u>	<u>\$124,560</u>
Contribution deficiency (excess)	\$ -	\$ -
MRCOG covered payroll	\$6,188,298	\$6,227,996
Contribution as a percentage of covered payroll	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 OPEB Liability and Related Ratios -
Life Insurance
Year Ended June 30, 2019

	June 30,	
	2019	2018
TOTAL OPEB LIABILITY		
Service cost	\$ 42,968	\$ 47,945
Interest	21,177	17,606
Changes in assumptions	19,281	(82,763)
Benefit payments	(10,286)	(6,337)
Net change	73,140	(23,549)
 TOTAL OPEB LIABILITY		
Beginning of year	638,741	662,290
End of year	<u>\$ 711,881</u>	<u>\$ 638,741</u>
 PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 10,286	\$ 6,337
Benefit payments	(10,286)	(6,337)
Net change in fiduciary net position	-	-
 PLAN FIDUCIARY NET POSITION - BEGINNING	-	-
 PLAN FIDUCIARY NET POSITION - ENDING	-	-
 NET OPEB LIABILITY - ENDING	<u>\$ 711,881</u>	<u>\$ 638,741</u>
 COVERED PAYROLL	\$ 6,401,082	\$ 6,158,056
 NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	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, 2018: 2.98%

 June 30, 2017: 3.13%

 June 30, 2016: 2.49%

Supplementary Information

State of New Mexico
Mid-Region Council of Governments
Description of Non-Major Special Revenue Funds
Year Ended June 30, 2019

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 Non-Major 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.

Local and State Studies (No. 50 & 51) – 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 the U.S. Department of Transportation, Public Law 109-59 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

State of New Mexico
Mid-Region Council of Governments
Description of Non-Major Special Revenue Funds
Year Ended June 30, 2019

Metropolitan Transportation Planning Organization (MPO) - Other local funds (No. 55) – Rio Metro and other local government's participation in MPO and other transportation planning activities.

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.

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).

Agribusiness (No. 70) – Provides for technical and planning assistance to entities relating to regional agricultural issues. The funding for the program is collaborative effort between local government and the private sector.

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).

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.

Community Adjustment Fund (No. 310) – Accounts for grant funds related to the community adjustment program.

Veterans Initiative Website Admin (No. 350, 351, 352) – Funding provided by the U.S. Department of Transportation, Federal Transit Administration, to develop an extensive media campaign, to design and produce brochures and other announcements, to distribute informational items among all participating partners and veteran-related organizations throughout the four county area of central New Mexico relating to the regional One- Call/One-Click Center.

Transportation Study UNM/CNM - FTA (No. 480) – UNM/CNM Transportation Study (No. 480) Funding is provided by Federal Transit Administration, and is separate funding from FHWA's TCSP funds, to perform a comprehensive study of transportation issues associated with the UNM and CNM campuses and surrounding areas.

State of New Mexico
Mid-Region Council of Governments
Combining Balance Sheets – Non-Major Governmental Funds
June 30, 2019

	Digital Ortho Photography 29	Salt Mission Trail Scenic Byway 32	Regional Planning Organization 33	Town of Bernalillo Zoning Ordinance 35	Edgewood Comp Plan 39	Metropolitan Transportation Planning Organization FHWA 52	Metropolitan Transportation Planning Organization FTA 53	Metropolitan Transportation Planning Organization 55	Communities Leading Health Change 62
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other receivables	-	-	-	-	-	-	-	-	-
Interfund receivables	73,364	1,000	-	-	-	-	-	-	-
Related entity receivables	-	-	-	11,898	3,809	-	-	44,003	-
Grant reimbursements receivable	-	-	16,815	-	-	169,484	75,783	1,924	8,638
Total assets	\$ 73,364	\$ 1,000	\$ 16,815	\$ 11,898	\$ 3,809	\$ 169,484	\$ 75,783	\$ 45,927	\$ 8,638
LIABILITIES									
Accounts payable	\$ 73,272	\$ 1,000	\$ -	\$ -	\$ -	\$ 10,826	\$ 2,627	\$ 1,618	\$ -
Accrued payroll liabilities	92	-	5,932	(327)	27	21,603	8,532	1,160	697
Interfund payables	-	-	10,883	12,225	3,782	137,055	64,624	36,279	7,941
Unearned grant advances	-	-	-	-	-	-	-	6,870	-
Total liabilities	73,364	1,000	16,815	11,898	3,809	169,484	75,783	45,927	8,638
FUND BALANCES									
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,364	\$ 1,000	\$ 16,815	\$ 11,898	\$ 3,809	\$ 169,484	\$ 75,783	\$ 45,927	\$ 8,638

State of New Mexico
Mid-Region Council of Governments
Combining Balance Sheets – Non-Major Governmental Funds (continued)
June 30, 2019

	Cooperative ITS Project 64	Transportation Surveillance Program 67	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72	EDA Fiscal Agent 74	Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Community Adjustment Fund 310	Transportation Study UNM/CNM/FTA 480	Total
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other receivables	-	-	-	-	2,520	7,024	-	-	-	-	9,544
Interfund receivables	39,129	-	-	38,776	-	-	3,041	8,205	45,274	-	208,789
Related entity receivables	158,079	-	-	-	15,580	-	-	627	-	9,447	243,443
Grant reimbursements receivable	-	67,722	49,531	-	-	-	-	-	7,628	-	397,525
Total assets	\$ 197,208	\$ 67,722	\$ 49,531	\$ 38,776	\$ 18,100	\$ 7,024	\$ 3,041	\$ 8,832	\$ 52,902	\$ 9,447	\$ 859,301
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ 9,951	\$ -	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,494
Accrued payroll liabilities	-	3,509	911	269	3,887	-	-	8,832	30	4,158	59,312
Interfund payables	-	64,213	38,669	-	10,013	7,024	-	-	-	5,289	397,997
Unearned grant advances	197,208	-	-	38,507	-	-	3,041	-	52,872	-	298,498
Total liabilities	197,208	67,722	49,531	38,776	18,100	7,024	3,041	8,832	52,902	9,447	859,301
FUND BALANCES											
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,208	\$ 67,722	\$ 49,531	\$ 38,776	\$ 18,100	\$ 7,024	\$ 3,041	\$ 8,832	\$ 52,902	\$ 9,447	\$ 859,301

State of New Mexico
Mid-Region Council of Governments
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances –
Non-Major Governmental Funds
Year Ended June 30, 2019

	Digital Ortho Photography 29	Salt Mission Trail Scenic Byway 32	Regional Planning Organization 33	Town of Bernalillo Zoning Ordinance 35	Edgewood Comp Plan 39	Metropolitan Transportation Planning Organization FHWA 52	Metropolitan Transportation Planning Organization FTA 53	Metropolitan Transportation Planning Rio Metro 55	Communities Leading Health Change 62
REVENUES									
Intergovernmental									
Federal	\$ 44,000	\$ -	\$ 82,424	\$ -	\$ -	\$ 664,622	\$ 264,016	\$ -	\$ 41,594
State	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Local	258,750	-	-	16,998	16,835	-	-	-	-
Reimbursement of Rio Metro cost	-	-	-	-	-	-	-	193,977	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>302,750</u>	<u>-</u>	<u>82,424</u>	<u>16,998</u>	<u>16,835</u>	<u>664,622</u>	<u>264,016</u>	<u>193,977</u>	<u>41,594</u>
EXPENDITURES									
Current									
Operating	2,774	-	103,030	16,998	16,835	762,440	330,020	193,977	41,594
Contractual	299,976	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	15,442	-	-	-
Total expenditures	<u>302,750</u>	<u>-</u>	<u>103,030</u>	<u>16,998</u>	<u>16,835</u>	<u>777,882</u>	<u>330,020</u>	<u>193,977</u>	<u>41,594</u>
OTHER FINANCING SOURCES/USES									
Operating transfers in	-	-	20,606	-	-	113,260	66,004	-	-
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>20,606</u>	<u>-</u>	<u>-</u>	<u>113,260</u>	<u>66,004</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-	-
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 –
Non-Major Governmental Funds (continued)
Year Ended June 30, 2019

	Cooperative ITS Project 64	Transportation Surveillance Program 67	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72	EDA Fiscal Agent 74	Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Community Adjustment Fund 310	Transportation Study UNM/CNM/FTA 480	Total
REVENUES											
Intergovernmental											
Federal	\$ -	\$ 310,236	\$ 113,908	\$ -	\$ 73,973	\$ -	\$ -	\$ -	\$ 97,697	\$ 54,525	\$ 1,746,995
State	-	-	-	-	-	-	-	84,714	-	-	84,714
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	15,484	-	22,001	2,285	1,185	12,826	-	346,364
Reimbursement of Rio Metro cost	-	-	-	-	-	-	-	-	-	24,259	218,236
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Total revenues	-	310,236	113,908	15,484	73,973	22,001	2,285	85,899	110,523	78,784	2,396,309
EXPENDITURES											
Current											
Operating	-	387,795	-	15,484	123,889	22,001	2,285	147,104	108,554	78,784	2,353,564
Contractual	-	-	133,953	-	-	-	-	-	-	-	433,929
Capital outlay	-	-	-	-	-	-	-	-	-	-	15,442
Total expenditures	-	387,795	133,953	15,484	123,889	22,001	2,285	147,104	108,554	78,784	2,802,935
OTHER FINANCING SOURCES/USES											
Operating transfers in	-	77,559	20,045	-	49,916	-	-	61,205	-	-	408,595
Operating transfers out	-	-	-	-	-	-	-	-	(1,969)	-	(1,969)
Total other financing sources/uses	-	77,559	20,045	-	49,916	-	-	61,205	(1,969)	-	406,626
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE											
Beginning of year	-	-	-	-	-	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

State of New Mexico
Mid-Region Council of Governments
Schedule of Pledged Collateral
Year Ended June 30, 2019

<u>Account</u>	<u>Description of Pledged Collateral</u>	<u>Type of Pledged Collateral</u>	<u>CUSIP Number</u>	<u>Sweep Collateral Value at June 30, 2019</u>	<u>Safekeeper</u>
MRCOG Sweep	Repurchase agreement	Shares	36179NTE8	\$ 484,064	Wells Fargo
	Accrued interest	Interest	36179NTE8	1,441	Wells Fargo
	Total collateral			485,505	
	Bank balance			475,985	
	Collateral required at 102%			485,505	
	Excess collateral			<u>\$ -</u>	

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Type of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2019</u>	<u>Location of Safekeeper</u>
Wells Fargo	FNMA	Bonds	2/1/2043	3138MPDX0	\$ 1,154,973	BNY Mellon
Wells Fargo	FNMA	Bonds	7/1/2031	3138WHJY9	5,493	BNY Mellon
					1,160,466	
	Bank account balances					
	Checking				1,500,000	
	Savings				684,109	
					2,184,109	
	FDIC coverage				(500,000)	
	Uninsured amount				1,684,109	
	Collateral required at 50%				842,055	
	Excess collateral				<u>\$ 318,412</u>	

State of New Mexico
Mid-Region Council of Governments
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Grant/Pass Through Number	Fund #	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor Passed through Workforce Connection of Central New Mexico Tech Hire	17.268	HG-29370-16-60-A-35	21	-	358,175
Total U.S. Department of Labor				-	358,175
U.S. Department of Interior Bureau of Reclamation Orthophotography Project	15.517	R17AP00111	29	-	44,000
Total U.S. Department of Commerce Direct				-	44,000
U.S. Department of Commerce Economic Development Administration Economic Development Support for Planning Organizations	11.302	FED16AUS3020006	72	-	35,432
Economic Development Support for Planning Organizations	11.302	ED19AUS3020011	72	-	38,541
Total U.S. Department of Commerce Direct				-	73,973
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	NU58DP005868	62	-	8,211
Racial and Ethnic Approaches to Community Health (REACH)	93.738	NU58DP0056604	62	-	33,383
Total U.S. Department of Health and Human Services				-	41,594
U.S. Department of Defense Office of Economic Adjustment Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	EN1546-17-01	310	-	97,697
Total U.S. Department of Defense				-	97,697
U.S. Department of Transportation Federal Transportation Administration (FTA) FTA Funds UNM/CNM Area Transportation and Land Use Coordination	20.522	NM-39-0001-00	480	-	54,525
Total U.S. Department of Transportation Direct				-	54,525
U.S. Department of Transportation Passed through State of New Mexico Department of Transportation Highway Planning and Construction Regional Planning Organization	20.205	M01037	33	-	82,424
Unified Planning Work Program	20.205	M01028	52	-	664,622
Unified Planning Work Program	20.205	M01028	53	-	264,016
Transportation Surveillance Program	20.205	M01028	67	-	310,237
Travel Time Program	20.205	80500-0000100923	68	-	113,908
Total Highway Planning and Construction Cluster				-	1,435,207
Total Expenditures of Federal Awards				\$ -	\$ 2,105,171

See 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, 2019

1. Basis of Presentation

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, 2019. The information in this 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal wards 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

3. Non-cash Assistance, Loans, and Indirect Costs

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

4. Subrecipients

MRCOG passed had no subrecipients for the year ended June 30, 2019.

MRCOG provided services to Workforce Connection of Central New Mexico (WCCNM) in which they were paid with federal dollars. The relationships with this entity is a vendor relationship rather than as a subrecipient. Those dollars received by MRCOG under the related contracts are detailed below:

Name	Amount
WCCNM	\$ 855,888
Total federal grants per the schedule	<u>2,105,171</u>
Total federal grants and contracts revenue per the accompanying financial statements	<u>\$ 2,961,059</u>

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
Mid-Region Council of Governments
Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 the Mid-Region Council of Governments (MRCOG) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the MRCOG's basic financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MRCOG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of MRCOG's internal control.

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

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

Compliance and Other Matters

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

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.

Mess Adams LLP

Albuquerque, New Mexico
November 25, 2019

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

Board of Directors
Mid-Region Council of Governments
Mr. Brian S Colón, Esq.
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Mid-Region Council of Government's (MRCOG's), compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of MRCOG's major federal programs for the year ended June 30, 2019. MRCOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MRCOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MRCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MRCOG's compliance.

Opinion on Each Major Federal Program

In our opinion, MRCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of MRCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MRCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MRCOG's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 25, 2019

State of New Mexico
Mid-Region Council of Governments
Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

None

State of New Mexico
Mid-Region Council of Governments
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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 major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.205	Highway Planning and Construction	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, 2019

Section II - Financial Statement Findings

No matters were reported.

State of New Mexico
Mid-Region Council of Governments
Schedule of Findings and Questioned Costs (continued)
June 30, 2019

Section III - Federal Award Findings and Questioned Costs

No matters reported.

**State of New Mexico
Mid-Region Council of Governments
Exit Conference
Year Ended June 30, 2019**

Exit Conference

An exit conference was held on November 25, 2019, to discuss the annual financial report. Attending were the following:

Representing the MRCOG:

Dewey Cave	Executive Director
Honorable Gregg Hull	Board Member
Amy Myer, CPA	Senior Finance Manager

Representing Moss Adams LLP:

Kory Hoggan, CPA	Partner
Michael McGinley, CPA	Manager

A. Preparation of Financial Statements

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