



Certified Public Accountants

ricci&company llc

**STATE OF NEW MEXICO
ALBUQUERQUE
METROPOLITAN ARROYO
FLOOD CONTROL AUTHORITY**

**ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2008

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO
FLOOD CONTROL AUTHORITY**

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ALBUQUERQUE METROPOLITAN ARROYO
FLOOD CONTROL AUTHORITY**

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Danny Hernandez - Chair
Janet Saiers - Vice Chair
Tim Eichenberg - Secretary - Treasurer
Ronald D. Brown - Assistant Secretary -
Treasurer
Daniel Lyon - Director

John P. Kelly, P.E.
Executive Engineer



**Albuquerque
Metropolitan
Arroyo
Flood
Control
Authority**

2600 Prospect N.E., Albuquerque, NM 87107
Phone: (505) 884-2215 Fax: (505) 884-0214

August 29, 2008

Citizens of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
2113 Warner Circle
Santa Fe, NM 87505-5499

Dear Mr. Balderas:

The Annual Financial Audit Report for the State of New Mexico, Albuquerque Metropolitan Arroyo Flood Control Authority (Authority) for the fiscal year ended June 30, 2008 is hereby submitted.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. The enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of the operations of the Authority on a government-wide and on a fund basis. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

SIGNIFICANT CHANGES IN PRESENTATION

With the June 30, 2001 financial statements, the Authority is electing to implement GASB 34 (Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments). The format and purpose of these changes are addressed in the Management's Discussion and Analysis (MD&A) starting on page 3, and in Note 1 of the Financial Statements (starting on page 20).

FINANCIAL CONDITION

The Management's Discussion and Analysis summarizes the Statement of Net Assets (page 12) which, reflects AMAFCA's sound management of our \$162,820,159 in assets, and the Statement of Activities (page 13), and reviews the changes from the beginning to the end of the current period. These government-wide (focusing on the Authority as a whole) statements are intended to present the Authority in a more corporate style basis.

The Fund Financial Statements, starting on page 14, are designed to address the major individual funds by category (governmental and fiduciary). Explanation of the fund financials statements is included in the MD&A (page 3) and in the Financial Audit Report, Note 1 (page 20).

GENERAL INFORMATION

A. Function and Definition of the Authority

The Albuquerque Metropolitan Arroyo Flood Control Authority was created by the Arroyo Flood Control Act of 1963, and is governed by such laws created thereunder designated as 72-16-1 to 72-16-103. The Act provides for organization and the governing body and offices; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes interactions with other government bodies and agencies.

The Authority is governed by a "Board of Directors" (Board) which consists of five qualified electors. Board members are elected every two years by District and are elected for six-year staggered terms. The Board elects one member as chair, one as vice-chair, one as secretary-treasurer, and one as assistant secretary-treasurer. The Board appoints an executive engineer as administrator of all the Authority's affairs, who serves at the pleasure of the Board.

B. Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to government entities.

REPORT FORMAT

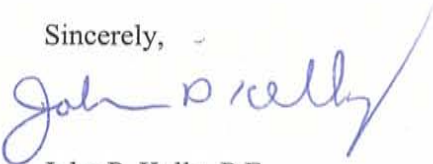
The Annual Financial Report is presented in accordance with GASB 34.

INDEPENDENT AUDIT

Pursuant to the Audit Act (§12-6-1 through §12-16-14 NMSA 1978), an audit of accounts and financial statements has been completed by an independent Certified Public Accountant, Ricci & Company, LLC. Their report is included in this report.

In conclusion, we are extremely pleased with the results of this audit as it reflects AMAFCA's continued emphasis on providing the best in flood control and ensuring that the people's money is spent prudently.

Sincerely,



John P. Kelly, P.E.
Executive Engineer

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO
FLOOD CONTROL AUTHORITY**

**OFFICIAL ROSTER
June 30, 2008**

Board Members

Danny Hernandez
Janet Saiers
Tim Eichenberg
Ronald D. Brown
Daniel F. Lyon

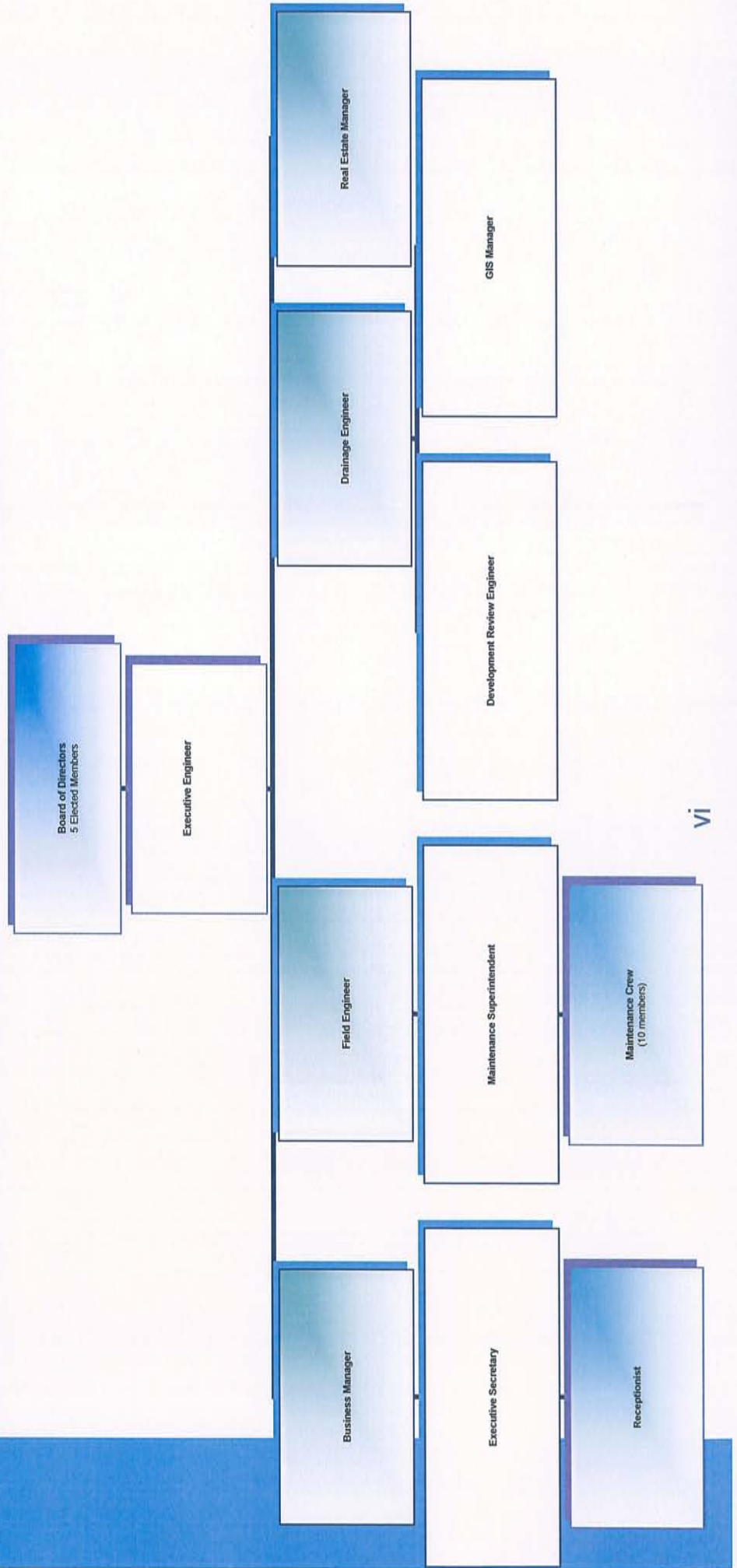
Chair
Vice-Chair
Secretary - Treasurer
Assistant Secretary – Treasurer
Director

Administrative Staff

John P. Kelly, P.E.
Irene Jeffries

Executive Engineer
Business Manager

AMAFCA Organizational Chart



Independent Auditors' Report

Danny Hernandez, Chair
Albuquerque Metropolitan Arroyo Flood Control Authority
Albuquerque, New Mexico
and
Hector H. Balderas
State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Albuquerque Metropolitan Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the individual fund financial statements of the Authority as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Authority as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the major debt service and capital project funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements and on the budgetary comparisons presented as supplemental information. The accompanying financial information listed as Additional Information – Supporting Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and budgetary comparisons. Such additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and budgetary comparisons, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements and the financial statements of each of the respective individual funds taken as a whole.

Ricci & Company, LLC

Albuquerque, New Mexico
August 29, 2008

State of New Mexico
Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

The Albuquerque Metropolitan Arroyo Flood Control Authority (the Authority) discussion and analysis is designed to (a) provide an overview of the Authority, its mission and function, (b) provide a description of significant capital assets, (c) provide a brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide, (d) provide an analysis of the Authority's financial position, and (e) identify any material deviations from the approved budget.

Authority's Mission

The Albuquerque Metropolitan Arroyo Flood Control Authority (the Authority) was created by the Arroyo Flood Control Act of 1963. The Act provides for organization and the governing body and offices; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes interaction with other government bodies and agencies.

The Albuquerque Metropolitan Arroyo Flood Control Authority (the Authority) is a political subdivision of the State of New Mexico, created in 1963 under Section NMSA 72-16-1 to 72-16-103 under the Arroyo Flood Control Act. The Authority is authorized to "acquire, equip, maintain and operate a flood control system for the benefit of the authority and inhabitants thereof..."

Authority's Function

Operation and Maintenance: The Authority operates and maintains the major trunk portions of the flood control system in the greater Albuquerque area. Operation and maintenance is administered by the Authority's Field Engineer and Maintenance Superintendent, who oversee a ten-man crew. The Field Engineer oversees these maintenance functions as part of his job duties.

Drainage Master Planning and Project Implementation: The Authority has an on-going program of master planning drainage facilities and designing and constructing flood control projects. This work is managed by all five of the engineers on staff, on a project manager basis, with the majority of the work done by the Drainage and Field Engineers. The Authority's Real Estate Manager takes care of right of way acquisition as needed for the projects. The master planning and design work is generally contracted out to private consultants, with the Authority coordinating the work between the City, the County and other affected parties. The consultant work is paid for out of bond proceeds. Construction projects are awarded to the lowest responsible bidder in accordance with the Procurement Code.

Regulatory Function: The Authority also serves a regulatory function within its boundaries. The Authority reviews and approves all drainage reports and drainage project design applications for subdivisions and development within the Authority's boundaries. This regulatory role is to ensure that development plans are in concert with Drainage Master Planning in the area. Review of drainage reports is primarily conducted by the Authority's Development Review Engineer, with oversight from the Executive Engineer and Drainage Engineer.

State of New Mexico
Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

Financial Highlights

- Completed approximately \$20.5M in capital projects, of which approximately \$3.7M was capitalized. Approximately \$16.8M was turned over to other local government owners. Further, the Authority has approximately \$7.7M of ongoing flood control capital projects.
- In September, 2007 Standard & Poor's Rating Services upgraded the Authority from a AA+ to a AAA. The upgrade along with the existing AAA rating from Moody's Investors Service made the Authority the highest rated government agency in New Mexico.
- Total cash and investment decreased by approximately \$700,000 from the previous year. This decrease is related to the timing of progress payments made to contractors on various projects.

Overview of Financial Statements

The Authority's financial statements are presented in two parts: government-wide financial statements and fund financial statements. Government-wide financial statements report information about the Authority as a whole using accounting in a corporate style basis. They consist of the statement of net assets and the statement of activities. Fund financial statements consist of a balance sheet, a statement of revenues, expenditures and changes in fund balance, and a budgetary comparison schedule for each of the funds used by the Authority (general, debt service and capital projects fund). See Notes to Financial Statements, Note 1, Organization and Summary of Significant Accounting Policies for a more detailed discussion of the two types of financial statements of the Authority.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section are for comparison purposes.

State of New Mexico
 Albuquerque Metropolitan
 Arroyo Flood Control Authority
 Management's Discussion and Analysis

The Authority as a whole:

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ended June 30, 2008. Net assets are presented on a consolidated basis in one column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The Authority did not have any business-type activities during the year ended June 30, 2008.

Table A-1
 The Authority's Net Assets

	Government Activities 6/30/08	Government Activities 06/30/07
Current Assets	\$ 20,381,680	\$ 21,063,934
Capital Assets, net of depreciation	142,324,319	137,953,329
Other assets – bond issuance costs	114,160	82,862
Total Assets	162,820,159	159,100,125
Current Liabilities	8,717,968	7,591,549
Non-current Liabilities	22,483,995	19,345,904
Total Liabilities	31,201,963	26,937,453
Net Assets		
Invested in Capital Assets net of Related Debt	112,324,319	112,503,329
Restricted for Debt Service	9,353,982	7,638,548
Restricted for capital projects	1,585,494	4,209,816
Unrestricted	8,354,401	7,810,979
Total Net Assets	\$ 131,648,196	\$ 132,162,672

The decrease of \$544,476 from the previous year is due to new bonds issued.

The restrictions for debt service are property taxes received prior to making the debt service payment. The debt service payments are due August 1 and February 1 of each year.

The restrictions on capital projects are proceeds from bonds that have not been applied towards projects in progress.

State of New Mexico
Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

The Authority is authorized to levy ad valorem taxes on property within its boundaries. The Authority has two levies:

- The Operating mill levy is used for the Authority's operation, maintenance and regulation of the local flood control system. On June 30, 2008, the Authority's operating mill levy was 0.167 for residential property and 0.438 mills for non-residential property. The Authority's legislation restricts the operating mill levy to an aggregate total of 0.500 mills.
- The Debt Service mill levy is used to account for the accumulation of resources for, and the payment of, general long-term debt. At June 30, 2008 the Authority's debt service mill levy was 0.675 mills. Debt has historically been structured to maintain a level mill levy. The Authority's Debt Service mill levy has remained at 0.675 mills since tax year 1999.
- The Authority also receives property tax distributions for Debt Service from the Sandoval County Treasurer for properties that were changed from Bernalillo County to Sandoval County as a result of the Bernalillo County / Sandoval County Boundary change which was effective January 1, 2005. A levy of 0.470 mills is imposed by the Sandoval County Treasurer, on the Authority's behalf. This property tax distribution is for authorizations from the 2004 bond election and prior, and will continue until that debt is retired. This distribution will decrease as prior debt is repaid.

Total ad valorem tax distributions (on a modified accrual basis) to the Authority by the Bernalillo County Treasurer and the Sandoval County Treasurer for the fiscal year ended June 30, 2008 were \$11,648,101 as compared to \$10,511,364 for the fiscal year ended June 30, 2007. The increase is due to in the total value of assessed property within the Authority's boundaries. The growth in the tax base is a result from both new construction and increases in the assessed value of existing properties as determined by the respective County Assessor.

State of New Mexico
 Albuquerque Metropolitan
 Arroyo Flood Control Authority
 Management's Discussion and Analysis

Changes in Net Assets: The Authority's change in net assets for fiscal year 2008 was \$8,452,382. See table below.

Table A-2
 Changes in the Authority's Net Assets

	Government Activities 6/30/08	Governmental Activities 6/30/07
Program Revenues		
Revenue from jointly funded projects	\$ 9,518,946	\$ 862,779
General Revenues		
Property taxes	\$ 11,702,730	10,594,909
Investment	890,359	966,824
Net gain on disposal of capital assets	-0-	42,046
Other	<u>30,681</u>	<u>46,026</u>
Total Revenues	<u>22,142,716</u>	<u>12,512,584</u>
Expenses		
General Government	938,160	1,334,790
Flood Control	3,362,045	3,045,888
Planning, Engineering, R&D	709,363	669,580
Capital outlay – intergovernmental	16,779,638	6,893,117
Interest on long-term debt	<u>897,986</u>	<u>810,887</u>
Total Expenses	<u>22,687,192</u>	<u>12,754,262</u>
Change in Net Assets	(544,476)	(241,678)
Beginning Net Assets, July 1	132,162,672	<u>132,404,350</u>
Ending Net Assets, June 30	<u>\$131,618,196</u>	<u>\$132,162,672</u>

State of New Mexico
Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

Budgetary Performance

General Operating Fund Budget

Actual general operating fund revenues for the fiscal year ended June 30, 2008 exceeded the budget by \$76,764 or 2.2%. The reasons for this budget surplus include higher collections by the Bernalillo County Treasurer for property tax assessments than estimated, the sediment sales and lease revenue higher than budgeted, and a higher return on investments than had been estimated.

The general fund operating budget was spent at approximately 91.2% of budget, cash basis. Salary and Payroll expenses were at 94.3% of budget which is a result of one crew member coming off National Guard duty for the entire fiscal year.

Other operating expenses exceeded the budget by \$70,810 or 5.8% due to two large sediment removal projects that might have come out of the contingency fund. The first sediment removal project was on the Authority's North Diversion Channel Outfall, where due to permitting constraints, the Authority was not able to stockpile material ahead of time and measure it for a contractual effort, and as such, used the Authority's crew and rental equipment to complete the job before high runoff from the Rio Grande flooded the worksite.

The second sediment removal project was on the Authority's Bear Canyon Arroyo where the Authority had received several inquiries from contractors about using the material on an adjacent development site. The Board had approved waiving the royalty for the sediment removal by the contractor, however due to the decline in the construction industry the contractor was not able to remove the sediment.

In order to prepare for the summer flood season, these two sediment removals were done by the Authority's crew rather than contracting them out, thus triggering the need for rental of a large number of earthmoving trucks and loading equipment.

Debt Service Fund Budget

Actual debt service fund tax revenues exceeded the budget by \$772,374. The budget used conservative growth factors for the assessed valuation, which were less than actual growth in assessed valuation resulting in more tax revenue. The budget used conservative interest rates in estimating interest income. There was no difference between actual and budgeted expenditures in the debt service fund.

Capital Projects Fund Budget

Actual revenues in the capital projects fund were about \$3.5M less than budget primarily due to the timing of starting jointly funded projects.

Total expenditures for government-type activities of the Authority for the fiscal year ended June 30, 2008 were \$16,702,257 versus \$11,469,187 for the fiscal year ended June 30, 2007, a net increase of \$5,233,070. This increase is due to the timing of planning and construction completion of capital outlay projects.

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Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

Capital Assets – Debt Administration

Capital Assets

The Authority's capital assets net of accumulated depreciation increased by \$4,370,990 due to the completion of AMAFCA projects and projects contributed to AMAFCA for maintenance (turnkey projects).

Major projects completed or closed out during FY-08 include:

Isleta Phase 1 Tributary SD

This project installed new storm drains to address flooding and remove FEMA floodplain in the area west of Isleta Boulevard south of Bridge Avenue, and installed a surge pond to meter outflows to the existing storm drain to minimize the size of new storm drains. The pond also provides water quality treatment. The Authority spent a total of \$1,602,163 on this project. The portion maintained by the Authority was capitalized.

Embudo Channel Floor Replacement

The project consists of the installation of approximately 2,600 linear feet of concrete floor which had deteriorated. An under drain system was utilized to remove any water between the new concrete and the existing concrete which was left in place. The Authority spent a total of \$1,281,132 on this project. This was completed during fiscal year 2008 and was added to capital assets at full value.

Calabacillas Bank Stabilization

The project consists of installation of approximately 4,600 cubic yards of dumped rip rap, associated earthwork, and grout injection of RCP pipe. The grade control structures width and spacing retain the open space characteristics of the arroyo. The Authority spent a total of \$812,178 on this project. This was completed during fiscal year 2008 and was added to capital assets at full value.

Contributions to Other Governments

The Authority contributed \$700,000 to the City of Albuquerque for the construction of a box culvert under Wyoming Boulevard which connects two existing portions of previously constructed La Cueva channel. The box culvert replaces two dip sections crossing the La Cueva Arroyo at Wyoming Boulevard and Eagle Rock Avenue, providing all-weather access across the arroyo.

The Authority contributed \$1,600,000 to the City of Albuquerque for the construction of a large storm drain system in Osuna Road from Jefferson Street west to the North Diversion Channel. This project reduces street flow flooding in Osuna Road at Jefferson Street and provides drainage outlet connection the Authority's North Diversion Channel.

State of New Mexico
Albuquerque Metropolitan
Arroyo Flood Control Authority
Management's Discussion and Analysis

The Authority contributed \$1,026,118 to the City of Albuquerque for the construction of the Martineztown Drainage Air Quality Pond to limit flow rates to the City's Broadway Storm Water Pump Station.

Contributions from Other Entities

The Authority was given maintenance of the Amole Arroyo Phase I project in Southwestern Albuquerque by a local developer. The project had total project cost of about \$2.24 million.

The Authority was given maintenance of the La Cueva Arroyo from Barstow to Alameda in Northeastern Albuquerque by a local developer. This has a total project cost of about \$2.21 million.

West I-40 Channel Extension GRIP Project

As part of Governor Richardson's Investment Partnership II (GRIP II), funding for the reconstruction of the Coors Interchange was made possible. As such the New Mexico Department of Transportation (NMDOT) fast tracked the design and construction of three projects that greatly affected the Authority's efforts to design and construct regional drainage facilities along the West I-40 corridor west of Unser Boulevard. Regional drainage was described in the West I-40 Drainage Management Plan adopted by the Authority's Board of Directors on June 29, 2000 via Resolution 2000-8 and also the West-I-40 DMP 2006 adopted by the Board via Resolution 2006-9.

The NMDOT completed the design and started construction on a new climbing lane between 98th Street and Paseo Del Vulcan as part of the GRIP II Projects. This work was done in conjunction with the Authority to provide regional drainage facilities along West I-40 including collection structures and diversion pipes to be placed in NMDOT right-of-way to divert flows to the Rio Grande. The installation of drainage infrastructure by the NMDOT as part of the GRIP II Projects will substantially reduce NMDOT costs for the construction of the new interchange at Paseo Del Vulcan and I-40 by reducing costs associated with drainage and reduced costs for the Authority by installing infrastructure in NMDOT right-of-way. The Authority contributed a lump sum of \$5,417,453 to the project in fiscal year 2008.

Debt Administration

The Authority's legal debt limit is \$80,000,000, which was raised by State Legislature in 2007, up from \$40,000,000. Total bonded debt is made up of four series of general obligation bonds (Series 2003, 2005, 2006, and 2007) which are scheduled to be retired gradually over the next seven years. The total proceeds of these four series of bonds is \$40,250,000. At June 30, 2008, the Authority's outstanding principal debt was \$30,000,000 resulting in a legal debt margin of \$50,000,000. Total outstanding principal and accrued interest was \$30,529,740. In April, 2006, the Authority sold the second \$9.75M issue of \$20,000,000 authorized by the voters in the 2004 general election. As of June 30, 2007, the Authority had \$500,000 remaining to be sold from that issue. Standard & Poor's upgraded its rating for the Authority to AA+ in 2001. Moody's Investors Service upgraded the Authority's bond rating to Aaa in 2002. In September, 2007 Standard & Poor's Rating Services upgraded the Authority from a AA+ to a AAA. The upgrade along with the existing Aaa rating from Moody's Investors Service made the Authority the

State of New Mexico
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Arroyo Flood Control Authority
Management's Discussion and Analysis

highest rated government agency in New Mexico. The September 2007 issue of \$10,750,000 included the remaining \$500,000 from the 2004 authorization, and the first \$10,250,000 from the 2006 authorization.

The Authority's outstanding balance in general obligation bonds as of 6/30/08 was \$30,000,000 versus \$25,450,000 in FY07. The increase is due to the sale of the \$10,750,000 September 2007. The Authority paid \$6,200,000 in principal for the period ending June 30, 2008.

Economic Factors and Next Year's Budgets and Rates

- On July 24, 2008, the Authority authorized the issuance of general obligation bonds in the amount of \$9,750,000 at an interest rate of 2.97992%. The bonds were sold on August 28, 2008.
- Mill levy rates decreased from the prior year. The total residential mill levy for FY08 was 0.842 versus 0.855 in FY07. The total non-residential mill levy in FY08 was 1.113 versus 1.129 in FY07. The debt service mill levy of 0.675 and has remained constant since tax year 1999.

Contacting the Agency's Financial Management

This financial report is designed to provide a more understandable and useful overview of the Authority and its finances, and to demonstrate the Authority's prudent use of the money it receives. If you have any questions about this report or need additional financial information, contact:

The Albuquerque Metropolitan Arroyo
Flood Control Authority
2600 Prospect, NE
Albuquerque, NM 87107

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2008**

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 24,740
Investments	19,606,136
Receivables, net of allowance	750,804
Total current assets	<u>20,381,680</u>
Capital Assets	
Capital assets not being depreciated	35,493,272
Capital assets being depreciated, net	106,831,047
Total capital assets	<u>142,324,319</u>
Other Assets	
Bond issuance costs, less accumulated amortization of \$74,556	<u>114,160</u>
Total assets	<u><u>162,820,159</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	394,526
Accrued payroll and taxes	87,947
Compensated absences payable, current portion	55,503
Bonds payable, current portion	7,650,000
Accrued interest payable	529,740
Rental deposits	252
Total current liabilities	<u>8,717,968</u>
Noncurrent Liabilities	
Compensated absences payable - expected to be paid after one year	28,422
Bonds payable, net of current portion	22,350,000
Bond premium, less accumulated amortization of \$76,861	105,573
Total noncurrent liabilities	<u>22,483,995</u>
Total liabilities	<u><u>31,201,963</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	112,324,319
Restricted for:	
Debt service	9,353,982
Capital projects	1,585,494
Unrestricted	8,354,401
Total net assets	<u><u>\$ 131,618,196</u></u>

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

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Expenses	<u>Program Revenues</u> Capital Contributions and Revenue from Jointly Funded Projects	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities			
Flood control	\$ 3,362,045	-	\$ (3,362,045)
General government	938,160	-	(938,160)
Planning, engineering, research and development	709,363	-	(709,363)
Capital outlay, noncapitalized	16,779,638	9,518,946	(7,260,692)
Interest on long-term debt	897,986	-	(897,986)
Total governmental activities	<u>\$ 22,687,192</u>	<u>9,518,946</u>	<u>(13,168,246)</u>
General Revenues			
Property taxes			11,702,730
Investment			890,359
Net gain on disposal of property			-
Other			30,681
Total general revenues			<u>12,623,770</u>
Change in net assets			(544,476)
Net assets, beginning of year			<u>132,162,672</u>
Net assets, end of year			<u>\$ 131,618,196</u>

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

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Petty cash	\$ 200	-	-	200
Cash in bank	23,595	945	-	24,540
Investments	8,489,943	9,233,211	1,882,982	19,606,136
Property taxes receivable	200,927	544,348	-	745,275
Joint projects receivables	-	-	5,529	5,529
Total assets	<u>\$ 8,714,665</u>	<u>9,778,504</u>	<u>1,888,511</u>	<u>20,381,680</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	91,509	-	303,017	394,526
Accrued payroll and taxes	87,947	-	-	87,947
Deferred revenue	155,888	424,522	-	580,410
Rental deposits	252	-	-	252
Total liabilities	<u>335,596</u>	<u>424,522</u>	<u>303,017</u>	<u>1,063,135</u>
Fund balances				
Reserved:				
Reserved for petty cash	200	-	-	200
Reserved for debt service	-	9,353,982	-	9,353,982
Reserved for construction projects	-	-	1,585,494	1,585,494
Total reserved fund balances	<u>200</u>	<u>9,353,982</u>	<u>1,585,494</u>	<u>10,939,676</u>
Unreserved:				
Designated:				
Contingencies	400,000	-	-	400,000
Projects	4,000,000	-	-	4,000,000
Undesignated	3,978,869	-	-	3,978,869
Total unreserved fund balances	<u>8,378,869</u>	<u>-</u>	<u>-</u>	<u>8,378,869</u>
Total fund balances	<u>8,379,069</u>	<u>9,353,982</u>	<u>1,585,494</u>	<u>19,318,545</u>
Total liabilities and fund balances	<u>\$ 8,714,665</u>	<u>9,778,504</u>	<u>1,888,511</u>	<u>20,381,680</u>

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

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
June 30, 2008**

Total fund balances - Governmental Funds (Balance Sheet - Governmental Funds)		\$ 19,318,545
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2007 because:		
Delinquent property taxes receivable net of allowance for doubtful accounts are not considered available financial resources and therefore are reported as deferred revenue in the fund financial statements		580,410
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:		
Total capital assets	\$ 177,905,214	
Less accumulated depreciation	(35,580,895)	
Related debt	<u>(30,000,000)</u>	
Total capital assets, net of related debt and depreciation		112,324,319
Some liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Compensated absences payable		(83,925)
Accrued interest payable		(529,740)
Bond issuance costs are expensed in period expended for fund financial statements but capitalized for governmental activities		
Total bond costs	188,716	
Less accumulated amortization	<u>(74,556)</u>	114,160
Bond premium costs are amortized for governmental activities but are a current other financing source in fund financial statements		
Total bond premium	(182,434)	
Less accumulated amortization	<u>76,861</u>	<u>(105,573)</u>
Net assets of governmental activities (Statement of Net Assets)		<u>\$ 131,618,196</u>

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

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 3,117,752	8,530,349	-	11,648,101
Investments	350,486	158,089	381,784	890,359
Revenue from jointly funded projects	-	-	2,433,627	2,433,627
Other	29,481	-	1,199	30,680
Total revenues	<u>3,497,719</u>	<u>8,688,438</u>	<u>2,816,610</u>	<u>15,002,767</u>
Expenditures				
Current:				
General government	707,190	-	69,630	776,820
Flood control	1,226,836	-	-	1,226,836
Planning, engineering, research and development	709,363	-	-	709,363
Capital outlay	165,359	-	16,064,628	16,229,987
Debt service:				
Interest and fixed charges	-	741,619	-	741,619
Bond principal retirement	-	6,200,000	-	6,200,000
Reappraisal fees	-	84,981	-	84,981
Bond issuance costs	-	-	56,674	56,674
Total expenditures	<u>2,808,748</u>	<u>7,026,600</u>	<u>16,190,932</u>	<u>26,026,280</u>
Excess (deficiency) of revenues over expenditures	<u>688,971</u>	<u>1,661,838</u>	<u>(13,374,322)</u>	<u>(11,023,513)</u>
Other Financing Sources				
Face amount from bond sales	-	-	10,750,000	10,750,000
Bond premium issuance	-	53,596	-	53,596
Total other financing sources	<u>-</u>	<u>53,596</u>	<u>10,750,000</u>	<u>10,803,596</u>
Net change in fund balances	<u>688,971</u>	<u>1,715,434</u>	<u>(2,624,322)</u>	<u>(219,917)</u>
Fund balances, beginning	7,690,098	7,638,548	4,209,816	19,538,462
Fund balances, ending	<u>\$ 8,379,069</u>	<u>9,353,982</u>	<u>1,585,494</u>	<u>19,318,545</u>

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

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES -
GOVERNMENTAL ACTIVITIES
Year Ended June 30, 2008**

Net change in fund balances (Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds)	\$ (219,917)
Amounts reported for governmental activities in the Statement of Activities are different for the year ended June 30, 2007 because:	
In the Governmental Funds, proceeds from long-term debt are reported as revenues	(10,750,000)
In the Governmental Funds, payments of long-term debt are reported as expenditures	6,200,000
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities - current year amortization	(25,376)
Bond issuance costs are expenses for the fund financial statement purposes but are capitalized for governmental activities	56,674
Bond premium is not amortized for fund financial statement purposes but is for governmental activities - current year amortization	27,597
Bond premiums are included as other revenues for the fund financial statement purposes but are capitalized for governmental activities	(53,596)
In the Statement of Activities, certain operating expenses - compensated absences payable and accrued interest payable are measured by the amounts incurred during the year. In the Governmental Funds, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increase) decrease in the liabilities for the year were:	
Compensated absences payable	(21,514)
Accrued interest payable	(183,964)
Delinquent property taxes receivable, net of allowance for doubtful accounts, are not available financial resources and therefore are reported as deferred revenues in the fund financial statements. The increase in the net receivable for the year was:	54,629
The Governmental Funds reports capital outlays as expenditures. However, in the Statement of Net Assets, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, these amounts were:	
Excess of capital outlay expenditures which were capitalized over noncapitalized	\$ (549,651)
Depreciation	(2,164,678)
Excess of capital outlay over depreciation	<u>(2,714,329)</u>
In the Statement of Activities, turnkey projects are recorded as revenues, these revenues are not recorded in the Governmental Fund statements	<u>7,085,320</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ (544,476)</u>

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

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 2,970,399	3,110,399	\$ 3,119,593	9,194
Less reappraisal fee	(29,704)	(29,704)	(31,100)	(1,396)
Net property taxes	2,940,695	3,080,695	3,088,493	7,798
Investment and other	298,301	298,301	360,443	62,142
Sediment sales	10,000	10,000	10,924	924
Lease revenue	2,700	2,700	8,600	5,900
Total revenues	<u>3,251,696</u>	<u>3,391,696</u>	<u>3,468,460</u>	<u>76,764</u>
Expenditures				
Current:				
Salary and related payroll costs	1,650,776	1,650,776	1,557,201	93,575
Other operating costs	1,151,131	1,216,131	1,286,941	(70,810)
Contingency	250,000	250,000	-	250,000
Total expenditures	<u>3,051,907</u>	<u>3,116,907</u>	<u>2,844,142</u>	<u>272,765</u>
Net change in fund balance	<u>\$ 199,789</u>	<u>274,789</u>	<u>624,318</u>	<u>349,529</u>
Prior year cash balance required to balance budget	<u>\$ -</u>	<u>-</u>		
Reconciliation from Budgetary to GAAP Basis				
Revenues:				
Change in property tax receivable		\$ 8,536		
Change in deferred revenues		(10,377)		
Inclusion of reappraisal fees		31,100	29,259	
Expenses:				
Exclusion of reappraisal fees		31,100		
Change in accounts payable		(31,674)		
Change in accrued payroll and other liabilities		35,968	35,394	
Net change in fund balance - GAAP Basis			688,971	
Fund balance, beginning of year			7,692,145	
Adjustment to correct beginning balance from GAAP to budgetary basis			(2,047)	
Fund balance, beginning of year as adjusted			<u>7,690,098</u>	
Fund balance, end of year			<u>\$ 8,379,069</u>	

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

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
June 30, 2008**

ASSETS

Cash in bank	\$ 474,217
Investments	<u>550,000</u>

Total Assets	<u><u>\$ 1,024,217</u></u>
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LIABILITIES

Funds held for others	<u><u>\$ 1,024,217</u></u>
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See pages 52 and 53 for details of this schedule.

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

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Function and Definition of Entity

The Albuquerque Metropolitan Arroyo Flood Control Authority (Authority) was created by the Arroyo Flood Control Act of 1963 and is governed by such laws created thereunder designated as 72-16-1 to 72-16-103. The Act provides for organization of the governing body and offices; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes interactions with other government bodies and agencies.

The Authority is governed by a “Board of Directors” (Board) which consists of five qualified electors elected for six-year staggered terms. The Board elects one member as chairman, one as vice-chairman, one as secretary-treasurer, and one as assistant secretary-treasurer. The Board appoints an executive engineer as administrator of all Authority affairs, who serves at the pleasure of the Board.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the entity’s financial statements would be misleading or incomplete if not included.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization’s resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

There were no component units of the Albuquerque Metropolitan Arroyo Flood Control Authority during the year June 30, 2008.

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

In June 1999, GASB unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provided for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on size of government. The Authority has also adopted the related GASB Statements #37 and #38, which affect GASB #34.

The Board implemented the provisions of GASB #34 effective July 1, 2000. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.). The Authority does own infrastructure assets and, therefore, is affected by this requirement. Effective July 1, 2005, the Authority changed from the modified approach of accounting for infrastructure assets to depreciating its infrastructure assets other than land.

Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Authority has elected not to follow pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function. Only revenues from jointly funded projects are considered program revenues. The Authority includes three functions: general government, flood control and planning, design, research and development.

The net cost (by function) is normally covered by general revenues (taxes, intergovernmental revenues, investment, etc). Historically, the previous mode did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems. The Authority's policy for when an expense is incurred for purposes for which both restricted and unrestricted net assets are available is to utilize the restricted net assets first. No such expenses occurred during the year ended June 30, 2008.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The only program revenue is funds received from outside sources related to specific projects. It is described in the financial statements as revenue from jointly funded projects and is considered to be program specific grants and contributions.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the government or business-type categories. Non-major (by category) or fund type are summarized into a single column. The General Fund, the Debt Service Fund and the Capital Projects Fund have been classified as major funds. There were no nonmajor funds.

The Governmental Fund statements are presented on a current financial resource 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 the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

Internal activity among the various funds is eliminated in the government-wide financial statements. There were no interfund balances at June 30, 2008.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

The Authority's Fiduciary Funds (Agency Funds) are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Basis of Presentation

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Authority, all funds have been classified as major funds.

Governmental Fund Types

The focus of Governmental Fund measurement (in the financial statements) is based upon determination of financial position and changes in the financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Authority.

General Fund

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund also includes funds designated for contingencies.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities and related costs.

Agency Funds

A fiduciary fund (Agency Fund) is used to account for funds received and disbursed for the Ditch and Water Safety Task Force Fund for which the Authority serves as the fiscal agent. This fund is used to promote water and ditch safety among children and is financed by contributions from several agencies. A fiduciary fund (Agency Fund) is used to account for funds received and disbursed for the Storm Water Quality Coordinator Fund. This is used to promote better water quality in the Albuquerque area and is financed by contributions from several agencies. The Authority has no budgetary control over these funds and acts solely as an agent. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses 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 measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting, and the Fiduciary Fund financial statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., 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, and the Authority uses thirty days after year end as the period in which they have to be received. Property taxes are recognized when levied, net of estimated refunds and uncollectible amounts. Expenditures are generally recognized under modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, 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 deferred revenue by the recipient.

Budgetary Accounting

Budgets for all funds are adopted on the cash basis. This method does not conform with accounting principles generally accepted in the United States of America, which require the use of the modified accrual basis as described above. At year end, budgeted appropriations lapse. The Board approves the original budget at a public meeting for which legal notices are published. The public is invited to comment at the meeting. Within each fund, transfers may be made between line items with the approval of the Authority's Board. Transfers between funds and any increase in the original budget, in addition to approval by the Authority's Board, must be presented to the Local Government Division of the New Mexico Department of Finance and Administration for their approval. The original budget, approved by the Authority's Board and the Local Government Division, may be subsequently amended if approved by the Authority's Board and the Local Government Division. Actual expenditures for each budget may not legally exceed the appropriations in total, including budgeted beginning cash balances. The Authority's budget for the fiscal year ended June 30, 2008 was properly approved by the Authority's Board and by the Local Government Division. It was subsequently properly amended.

Compensated Absences

Employees of the Authority accrue both sick leave and vacation leave as a function of service. In the event of termination, employees receive payments for accumulated vacation. In the event of retirement, employees receive payment for accumulated vacation and sick leave or take the accumulated vacation and sick leave prior to retirement. Employees may also, at their option (each November), convert sick leave to vacation leave or receive cash according to predetermined ratios. The following ratios are to be utilized:

STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Sick leave accumulation over 500 hours may be converted at the following ratios:
 - a. Three hours of sick leave to one hour of vacation leave, or
 - b. Three hours of sick leave to one hour of cash payment.

2. Sick leave accumulation over 850 may be converted at the following ratios:
 - a. Two hours of sick leave to one hour of vacation, or
 - b. Two hours of sick leave to one hour of cash payment.

3. Sick leave accumulation over 1,200 hours must be converted at the following ratios:
 - a. Three hours of sick leave for two hours of vacation leave, or
 - b. Three hours of sick leave to two hours of cash payments.

Compensated absences payables of \$83,925 have been recorded in the government-wide financial statements. Of the \$83,925, \$55,503 is considered to be the current portion while \$28,422 is considered to be the long-term portion which is expected to be paid after one year. The compensated absence payable has been valued using the pay levels in effect at June 30, 2008 and does not include estimated payroll tax and fringe benefit costs. This amount also does not include any sick leave that is eligible to be converted to vacation leave or cash. The General Fund is the only fund which has been and which will be used to liquidate compensated absences liabilities.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated absences payable	\$ 62,411	76,709	(55,195)	83,925	55,503

Capital Assets

Property, plant and equipment purchased or acquired, including software, are carried at historical cost or estimated historical cost. The Authority does not develop its own software, but if it did, the developed software would be capitalized and depreciated the same as purchased software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed and incurred. The Authority's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized.

The Authority does not capitalize interest in regard to any of its capital assets.

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Depreciation on all depreciable assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority utilizes Internal Revenue Service guidelines and other guidelines to estimate the useful lives on fixed assets as follows:

Vehicles, furniture and office equipment, including software and construction equipment	5 to 7 years
Buildings and improvements	40 years
Infrastructure	70 years

The Authority has decided to utilize depreciating its infrastructure rather than the modified approach to account for infrastructure.

Reservations, Restrictions and Designation of Fund Balances

Reservations of fund balances on the Governmental Funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Petty Cash - This reserve was created to represent the portion of fund balance that is used in petty cash.

Restricted for Debt Services - This restriction was created to represent funds which are restricted to use for debt service.

Restricted for Construction Projects - This restriction was created to represent funds which are restricted to use for construction projects.

Designated fund balances are determined internally via resolutions adopted by the Board of the Authority. They consist of \$400,000 for emergency work and contingencies and \$4,000,000 for project modifications as of June 30, 2008. They may be redesignated by the Authority's Board at any time.

When an expense is incurred for purposes for which restricted and unrestricted net assets are available, restricted resources will be applied first.

Revenues and Expenditures

Substantially all governmental fund revenues are accrued, except the only property taxes accrued in the fund financial statements are those actually received within thirty days of year-end. Expenditures are recognized when related fund liability is incurred.

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the general obligation bonds issued to finance the Authority construction projects. The Authority had related debt of \$30,000,000 at June 30, 2008.

Restricted Net Assets – are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Assets – represent the net assets of the Authority which are not restricted.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Bond Issuance Costs and Bond Premium

Bond issuance costs of \$188,716 have been capitalized in the government-wide financial statements and are being amortized using straight-line over the life of the related bonds payable. Bond premiums of \$182,434 have been capitalized in the government-wide financial statements and are being amortized using straight-line against interest expense over the life of the related bonds payable.

Deferred Revenue

Receivables which do not meet the “available” criteria for revenue recognition under the modified accrual basis of accounting are recorded as deferred revenue. Deferred revenue at June 30, 2008 is attributable to the following:

Ad valorem assessments	\$ <u>580,410</u>
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**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Noncash Capital Contributions

The Authority's purpose is to provide a flood control system for the benefit of property within the boundaries of the Authority. Pursuant to Authority policies and practices, certain infrastructure assets including land, easements, dams, ponds, and drainage channels are contributed to the Authority. These contributions may come from other governmental entities or from private parties whose development activities are subject to the oversight of the Authority. These assets are then the continuing responsibility of the Authority. The Authority records the fair market value of these assets at the date of contribution as program revenues and as capital outlay expenditures.

NOTE 2. CASH AND INVESTMENTS

Pursuant to Section 6-10-10G, NMSA, 1978, the Authority entered into securities sold under repurchase agreements with Wells Fargo Bank during the fiscal year ended June 30, 2008, whereby when the demand deposit balance available on any day exceeds \$50,000, a repurchase transaction is made to purchase certain legally permissible securities on behalf of the Authority. These securities are repurchased from the Authority on the succeeding business day.

The demand deposit balances in excess of the minimums set by the Authority are transferred to the "cash management investments" accounts for the purpose of entering into appropriate repurchase agreements. As provided by Section 6-10-10G, NMSA 1978, the repurchase contract shall be fully secured by obligations of the United States having a market value of at least 102% of the contract. The collateral required for investments in the contracts shall be shown on the books of the financial institution as being the property of the Authority. At June 30, 2008, the total repurchase account balance was less than \$50,000 and there was no collateral pledged by Wells Fargo for the repurchase contract.

The Albuquerque Metropolitan Arroyo Flood Control Authority invests its funds in accordance with resolutions adopted by its Board of Directors. Pursuant to Section 72-16-22, NMSA 1978, the Authority may deposit any of its funds in any banking institution and may invest its funds in its own securities or federal securities by direct purchase. The Board of Directors has the authority to determine the amount of collateral to be provided on its deposits in accordance with applicable state statutes.

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Effective March 22, 1990, the Board adopted a new resolution which differentiates banks wherein deposits may be maintained into two classes as determined by the State Investment Office. The two classes consist of "Class A" and "Class B" banks which require 50%, respectively, of uninsured bank deposits to be collateralized. Collateral pledged by a bank on deposits is required to be held at another bank and cannot be released without the Authority's permission. The Authority currently requires 50% collateral after considering FDIC insurance on its deposits with Wells Fargo. At June 30, 2008, collateral pledged by Wells Fargo was in excess of the requirement by \$3,702,003.

The following schedule shows the reconciliation between the amounts reflected by the Authority's financial institutions and the amounts reflected in the financial statements under the caption "Cash" in the government-wide financial statements.

Balances as reflected by financial institutions at June 30, 2008:

Wells Fargo, Albuquerque, NM - all are demand deposit accounts	
Cash balances per depository at June 30, 2008:	
Debt Service Fund	\$ 945
Storm Quality Education	125,741
Area Wide Maintenance	286,609
Ditch & Water Safety Task Force Fund Operating	8
Ditch & Water Safety Task Force Fund Reserve	<u>61,859</u>
Total deposits	475,162
Wells Fargo Bank – repurchase agreements	37,350
Petty cash	<u>200</u>
Subtotal	512,712
Add deposits-in-transit	50,000
Less outstanding checks, all accounts	(63,755)
Less agency funds – cash accounts	<u>(474,217)</u>
Net carrying value at June 30, 2008	<u>\$ 24,740</u>
Shown as:	
General Fund	\$ 23,795
Debt Service Fund	945
Capital Projects Fund	<u>-</u>
Total cash per government-wide financial statements	<u>\$ 24,740</u>

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The Authority had the following depository accounts at June 30, 2008. All deposits are carried at cost. The Authority's deposit policy has been described earlier.

Insured	\$ 161,859
Collateral held by the pledging bank's trust department in the Authority's name	<u>350,653</u>
Total deposits	<u>\$ 512,512</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy regarding custodial credit risk is to comply with its Resolution described earlier and with Section 6-10-17, NMSA (1978 Comp). As of June 30, 2008, all of the Authority's deposits were either insured or fully collateralized with collateral held in the Authority's name at June 30, 2008. Therefore, there was no custodial credit risk at June 30, 2008.

The Authority has invested funds in the New Mexico State Treasurer's Local Government Investment Pool (Pool). The Pool's investments are U.S. term overnight repurchase agreements. Interest rates fluctuate depending upon the investments in the Pool, and the interest rate at June 30, 2008 was 2.4078%. The repurchase agreements are secured at 102% by U.S. Government Securities. The fiscal agent bank for the Pool contracts with New York bank to act as third-party custodian of all of the collateral pledged as required at 102% for the overnight repurchase agreements. The New Mexico State Treasurer has the statutory approval to invest in such agreements.

The investments are valued at fair value based on quoted market prices as of the valuation date.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States Government or are agencies sponsored by the United States Government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The Pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amount deposited in the fund and the length of time the amounts in the Pool were invested. Participation in the Local Government Investment Pool is voluntary. The Pool is rated AAA as to credit risk and has a 24-day interest risk using a weighted average maturity (WAM).

GASB #40 states: "Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality." This statement would apply to the State Treasurer Local Government Investment Pool so no disclosure of credit quality is required.

Following are the amounts by fund that are included in the State Treasurer Local Government Investment Pool as of June 30, 2008:

General Fund	\$ 8,489,943
Debt Service Fund	9,233,211
Capital Projects Fund	1,882,982
Agency Fund	<u>550,000</u>
	<u>\$ 20,156,136</u>

NOTE 3. PROPERTY TAXES AND PROPERTY TAX RECEIVABLES

Property taxes are payable to the County Treasurer in two equal installments, due on November 10 of the year in which the tax bill was prepared and on April 10 of the following year. Pursuant to Section 7-38-38, NMSA 1978, property taxes are delinquent if not paid within thirty days after the date on which they are due. Property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes. Taxes on real property are a lien against the real property on which the taxes are delinquent.

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 3. PROPERTY TAXES AND PROPERTY TAX RECEIVABLES (CONTINUED)

Article VIII, Section 2 of New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within Bernalillo County to \$20.00 per \$1,000 assessed value. This limitation does not apply to special levies, such as levies for bond issues, authorized at an election by a majority of the qualified voters within Bernalillo County. The overlapping operational levies subject to the 20 mill limitation in 1995 were below the statutory 20 mill limitation.

The Authority has, as of June 30, 2008, a mill levy of 0.675 mills per thousand of assessed value which related to debt service of general obligation bonds in the Debt Service Fund. The Authority also has for the General Fund imposed operating levies of 0.167 mills per \$1,000 of assessed value on all residential property and 0.438 mills per \$1,000 of assessed value of nonresidential property within the Authority's boundaries. Section 7-37-7.1, NMSA 1978 limits the allowable increase in property taxes for operating purposes from the preceding year, but it does not limit any debt service levy. Specifically, no property tax rate or assessment for operating purposes shall be set which exceeds the prior year's tax revenue plus a percent, not in excess of five percent, determined by a specific general business indicator plus any net new increase in assessed value.

Property taxes receivable arise from tax levies which were levied and which are to be collected by the Bernalillo County Treasurer. The following are the receivables outstanding at June 30, 2008:

Receivables:	
Current property taxes	\$ 164,865
Delinquent property taxes, net of allowance of \$120,000 for doubtful accounts	580,410
Other receivables	<u>5,529</u>
Total receivables	<u>\$ 750,804</u>

Of the property taxes noted above, \$45,039 in the General Fund and \$119,826 in Debt Service Fund are considered available financial resources and considered fully collectible. Delinquent property taxes of \$580,410 have been recorded in the government-wide financial statements, which includes receivables for all noncollected levied taxes, net of an estimated allowance for doubtful accounts of \$120,000. Delinquent property taxes do not represent measurable available resources so they are considered to be deferred revenue in the fund financial statements.

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2007	Capital Acquisitions	Sales or Other Dispositions	Balance June 30, 2008
Capital assets not being depreciated				
Operations:				
Construction in progress	\$ 74,000	55,503	(129,503)	-
Infrastructure:				
Land acquisition	26,447,824	1,362,806	-	27,810,630
Construction in progress	13,405,257	14,819,822	(20,542,437)	7,682,642
Total capital assets not being depreciated	39,927,081	16,238,131	(20,671,940)	35,493,272
Capital assets being depreciated				
Operations:				
Furniture and fixtures	132,015	-	-	132,015
Maintenance tools and automotive equipment	1,071,586	109,856	-	1,181,442
Office and maintenance buildings	864,731	129,503	-	994,234
Infrastructure:				
Utility relocations	1,812,794	-	-	1,812,794
Dams, channels and other improvements	127,561,339	10,730,118	-	138,291,457
Total capital assets being depreciated	131,442,465	10,969,477	-	142,411,942
Total capital assets	171,369,546	27,207,608	(20,671,940)	177,905,214
Less accumulated depreciation				
Furniture and fixtures	(126,999)	(4,613)	-	(131,612)
Maintenance tools and automotive equipment	(750,013)	(86,877)	-	(836,890)
Office and maintenance buildings	(301,102)	(24,856)	-	(325,958)
Infrastructure	(32,238,103)	(2,048,332)	-	(34,286,435)
Total accumulated depreciation	(33,416,217)	(2,164,678)	-	(35,580,895)
Capital assets, net of accumulated depreciation	\$ 137,953,329	25,042,930	(20,671,940)	142,324,319

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2007	Capital Acquisitions	Sales or Other Dispositions	Balance June 30, 2008
Summary of Investments in Capital Assets				
Investment in office and maintenance buildings, furniture, fixtures and equipment	\$ 2,068,332	239,359	-	2,307,691
Investment in land, dams, channels and improvements, utility relocations and construction-in-progress	150,090,954	26,968,249	(20,671,940)	156,387,263
Donated capital assets from Corps of Engineers	19,210,260	-	-	19,210,260
Total	\$ 171,369,546	27,207,608	(20,671,940)	177,905,214

Depreciation was allocated based on estimates of usage by each function.

Depreciation was charged as follows to these functions:

Flood control	\$ 2,135,209
General government	29,469
Total depreciation	\$ 2,164,678

Construction in progress as of June 30, 2008, consisted of the following:

Project	Beginning Balance	Additions	Deletions	Ending Balance
SW Valley Drainage Improv/COE Engineering	\$ 846,348	-	-	846,348
NDC to I-25 Engineering	94,730	-	-	94,730
Misc LOMR's Engineering	143,041	2,640	-	145,681

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS (CONTINUED)

Project	Beginning Balance	Additions	Deletions	Ending Balance
West I-40 Phase III				
Engineering	\$ 1,370,950	8,259	(1,379,209)	-
Construction	5,223,145	107,285	(5,330,430)	-
Avulsion Number 1				
Engineering	30,000	-	-	30,000
Boca Negra				
Engineering	221,103	25,283	-	246,386
Isleta Ph1 Trib SD				
Engineering	1,141	370,680	(371,821)	-
Construction	2,464,588	(1,234,246)	(1,230,342)	-
Don Felipe DMP				
Engineering	81,520	55,764	-	137,284
Isleta Reconstruction Phase II.				
Engineering	3,191	352	-	3,543
Construction	980,978	1,625,677	-	2,606,655
La Cueva				
Engineering	19,970	55,970	-	75,940
Domingo Baca SWQ				
Engineering	28,858	(25,860)	-	2,998
Vineyard SWQ				
Engineering	50,353	113,168	-	163,521
Construction	-	521,161	-	521,161

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS (CONTINUED)

Project	Beginning Balance	Additions	Deletions	Ending Balance
Embudo Floor Replacement				
Engineering	\$ 57,667	21,841	(79,508)	-
Construction	1,130,315	71,309	(1,201,624)	-
Raymac				
Engineering	30,228	7,872	-	38,100
McCoy Dam Div. Chnls				
Engineering	850	55,189	-	56,039
Johniece Channel				
Engineering	4,175	45,882	-	50,057
Construction	377	-	-	377
Calabacilla Stabilization				
Engineering	30,209	26,950	(57,159)	-
Construction	591,520	163,499	(755,019)	-
Embudo Under Carlisle				
Engineering	-	48,752	(48,752)	-
Construction	-	357,318	(357,318)	-
SDC Water Quality				
Engineering	-	19,087	-	19,087
Construction	-	-	-	-
Osuna - COA				
Construction	-	1,600,000	(1,600,000)	-
EASP / 98th Street				
Engineering	-	77,327	-	77,327
Construction	-	-	-	-
LCA WYO @ Eagle Rk				
Engineering	-	-	-	-
Construction	-	700,000	-	700,000

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS (CONTINUED)

Project	Beginning Balance	Additions	Deletions	Ending Balance
Vineyard Arroyo				
Engineering	\$ -	-	-	-
Construction	-	185,970	-	185,970
Martineztown				
Engineering	-	-	-	-
Construction	-	1,026,118	-	1,026,118
Agency/ Area Wide PC				
Engineering	-	-	-	-
Construction	-	585,732	-	585,732
El Pueblo Road				
Engineering	-	75,372	(75,372)	-
Construction	-	242,308	(242,308)	-
Santa Anita Rd				
Engineering	-	-	-	-
Construction	-	360,000	(360,000)	-
San Mateo Rd				
Engineering	-	-	-	-
Construction	-	1,500,000	(1,500,000)	-
SW Valley Flood				
Engineering	-	21,209	-	21,209
Construction	-	-	-	-
GRIP I40 drainage				
Engineering	-	-	-	-
Construction	-	5,417,453	(5,417,453)	-
Black Mesa				
Engineering	-	3,979	-	3,979
Construction	-	-	-	-

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS (CONTINUED)

Project	Beginning Balance	Additions	Deletions	Ending Balance
ALB West Levie				
Engineering	\$ -	44,400	-	44,400
Construction	-	-	-	-
MISC small/other jobs				
Engineering	-	102,401	(102,401)	-
Construction	-	433,721	(433,721)	-
	<u>\$ 13,405,257</u>	<u>14,819,822</u>	<u>(20,542,437)</u>	<u>7,682,642</u>

All of the financing required for the construction and engineering services projects listed will be provided by funds obtained through the prior issuance of general obligation bonds and the use of the Capital Project Fund Revenues. The detail of construction in progress deletions and project additions is as follows:

Total deletions	\$ 20,542,437
Less projects belonging to others	(16,779,638)
Add project contributions	<u>6,967,319</u>
2008 project additions	<u>\$ 10,730,118</u>

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5. GENERAL OBLIGATION BONDS PAYABLE

The change in general obligation bonds payable is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
General obligation bonds payable	\$ 25,450,000	10,750,000	(6,200,000)	30,000,000	7,650,000

All bonds are general purpose obligation bonds which are to be retired with future property tax levies for this purpose. The legal debt limit for the Authority is \$80,000,000 while the total general obligation debt on June 30, 2008 was \$30,000,000. The resulting legal debt margin is \$50,000,000.

The following is the detail for each issue outstanding at June 30, 2008:

Series 2003

Original amount: \$10,000,000
Interest rate - 2.5% to 2.75%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ 2,000,000	27,500	2,027,500
	\$ 2,000,000	27,500	2,027,500

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. GENERAL OBLIGATION BONDS PAYABLE (CONTINUED)

Series 2005

Original amount: \$9,750,000
Interest rate - 2.75% to 3.15%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ 1,250,000	230,563	1,480,563
2010	1,250,000	194,625	1,444,625
2011	1,250,000	157,125	1,407,125
2012	2,250,000	104,625	2,354,625
2013	2,250,000	35,437	2,285,437
	<u>\$ 8,250,000</u>	<u>722,375</u>	<u>8,972,375</u>

Series 2006

Original amount: \$9,750,000
Interest rate - 3.75% to 4.0%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ 1,500,000	320,625	1,820,625
2010	1,500,000	260,625	1,760,625
2011	1,500,000	200,625	1,700,625
2012	1,500,000	142,500	1,642,500
2013	1,500,000	86,250	1,586,250
2014	1,500,000	29,063	1,529,063
	<u>\$ 9,000,000</u>	<u>1,039,688</u>	<u>10,039,688</u>

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5. GENERAL OBLIGATION BONDS PAYABLE (CONTINUED)

Series 2007

Original amount: \$10,750,000
Interest rate - 3.5% to 4.0%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ 2,900,000	457,000	3,357,000
2010	2,250,000	251,000	2,501,000
2011	1,600,000	178,000	1,778,000
2012	1,000,000	132,500	1,132,500
2013	1,000,000	97,500	1,097,500
2014	1,000,000	60,000	1,060,000
2015	1,000,000	20,000	1,020,000
	<u>\$ 10,750,000</u>	<u>1,196,000</u>	<u>11,946,000</u>

The following is a summary by fiscal year of the annual requirements to amortize bonds payable.

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ 7,650,000	1,035,688	8,685,688
2010	5,000,000	706,250	5,706,250
2011	4,350,000	535,750	4,885,750
2012	4,750,000	379,625	5,129,625
2013	4,750,000	219,187	4,969,187
2014	2,500,000	89,063	2,589,063
2015	1,000,000	20,000	1,020,000
	<u>\$ 30,000,000</u>	<u>2,985,563</u>	<u>32,985,563</u>

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 6. PUBLIC EMPLOYEES' RETIREMENT PLAN

All the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article II, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

Retirement Eligibility

Under municipal general member coverage Plan 2 and municipal fire member coverage Plan 3, the percentage of retirement benefits for covered employees will be 2.5% of their final average monthly salary for the 36 consecutive months of credited service producing the largest average. Under municipal general member coverage Plan 3, the percentage of retirement benefits for covered employees will be 3% of their final average monthly salary for the 36 consecutive months of credited service producing the largest average. Under municipal police member coverage Plan 5, the percentage of retirement benefits for covered employees will be 3.5% of their final average monthly salary for the 36 consecutive months of credited service producing the largest average. Effective July 1, 1994, all of the Authority's full-time participants elected to be covered under general member coverage Plan 3. Eligibility for receiving the monthly benefits is as follows:

- a. Age 65 years or older and five or more years of credited service;
- b. Age 64 years and eight or more years of credited service;
- c. Age 63 years and eleven or more years of credited service;
- d. Age 62 years and fourteen or more years of credited service;
- e. Age 61 years and seventeen or more years of credited service;
- f. Age 60 years and twenty or more years of credited service; or
- g. Any age and twenty-five or more years of credited service.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 6. PUBLIC EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at time of disability retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the retired member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disabled retired member does not submit an annual statement of earnings or if the previous year is more than the amount which causes the suspension of or a decrease in the social security old age benefit for a 65-year old.

Retirement Benefits

If a member dies in the line-of-duty, the eligible spouse receives 50% of the member's final average salary, or if larger, 80% of the member's accrued normal retirement pension for life. The amount of pension payable to each of the member's eligible children is an equal share of 25% of the member's final salary. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining children is recalculated whenever a child's pension is terminated.

Fund Policy

Plan members are required to contribute 13.15% of their gross salary. The Authority is required to contribute 9.15%. The Authority has elected to pay 75% of the employee's required contribution for a total of 19.01% contributed by the Authority. The contribution requirements of plan members and the Authority are established under Chapter 10, Article II, NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 were \$199,060, \$173,298, and \$170,056, respectively, equal to the amount of the required contributions for each year.

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The (RHCA) provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

**NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE
PLAN (CONTINUED)**

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium rate to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of the two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$13,476, \$11,836, and \$11,629, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 8. FUND BALANCES - DESIGNATED FOR PROJECT MODIFICATIONS

As of June 30, 2008, the Authority's Board has designated a total of \$4,000,000 of the unreserved fund balance of the General Fund for potential modifications of five specific projects: the modification of Alameda Outlet, NDC had \$1,000,000 designated; the Ladera Dam Safety Modifications Project had \$500,000 designated; the North Diversion Channel Lining Rehab had \$1,500,000 designated; the Parkway Channel from Unser to 98th Street had \$500,000 designated; and the Hahn Arroyo Rehab had \$500,000 designated.

NOTE 9. RISK MANAGEMENT

The Authority participates in the New Mexico Self-Insurer's Fund risk pool. Listed below is a summary of insurance coverages in force for the fiscal year ended June 30, 2008:

Workers Compensation

a. Name of insurance agent	New Mexico Self-Insurer's Fund
b. Policy number	4020W
c. Amount of coverage	Unlimited
d. Expiration date	6/30/08
e. Premium paid	\$42,883

Property

a. Name of insurance agent	New Mexico Self-Insurer's Fund
b. Policy number	4020P
c. Amount of coverage	Blanket
d. Expiration date	6/30/08
e. Premium paid	\$3,804

General Liability

a. Name of insurance agent	New Mexico Self-Insurer's Fund
b. Policy number	4020L
c. Amount of coverage	\$400,000/\$750,000 per person/occurrence \$300,000 medical, \$100,000 property
d. Expiration date	6/30/08
e. Premium paid	\$16,267

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008**

NOTE 9. RISK MANAGEMENT (CONTINUED)

Auto Liability

a. Name of insurance agent	New Mexico Self-Insurer's Fund
b. Policy number	4020L
c. Amount of coverage	\$400,000/\$750,000 per person/occurrence \$300,000 medical, \$100,000 property Actual cash value
d. Expiration date	6/30/08
e. Premium Paid	\$16,737

Employee Theft/Dishonesty/Crime Blanket Coverage

a. Name of insurance agent	New Mexico Self-Insurer's Fund
b. Policy number	4020P
c. Amount of coverage	Employee Dishonesty - \$500,000; Theft - \$25,000 with \$2,500 deductible
d. Expiration date	6/30/08
e. Premium paid	\$437

Director's Liability Coverage – separate bond, not w/NMSI

a. Name of insurance agent	CAN Surety, P.O. Box 5176, Sioux Falls, SD 57117-5176
b. Policy number	Bond NO. 68998232
c. Amount of coverage	\$10,000 for each director
d. Expiration date	6/30/08
e. Premium paid	\$250

Civil Rights

a. Name of insurance agent	New Mexico-Self Insurer's Fund
b. Policy number	4020L
c. Amount of coverage	Tort limits (\$1,000,000)
d. Expiration date	6/30/08
e. Premium paid	\$6,464

The Authority has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Authority which exceeds the insurance coverage, the Authority would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss. The address of the New Mexico Self-Insurers' Fund is 1231 Paseo de Peralta, Santa Fe, NM 87501.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 9. RISK MANAGEMENT (CONTINUED)

At June 30, 2008, no unpaid claims have been filed which exceed the policy limits. To the best of management's knowledge and belief, all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Albuquerque Metropolitan Arroyo Flood Control Authority.

NOTE 10. SIGNIFICANT ESTIMATES

The Authority records property tax revenues based on the amounts collected by the Bernalillo County Treasurer in June that are remitted to the Authority in July and deferred revenues on property taxes based on information provided by the Bernalillo County Treasurer's Office. An estimated receivable of \$700,410 at June 30, 2008 was recorded by the Authority. An estimated allowance for doubtful accounts of \$120,000 was also provided in conjunction with this receivable, resulting in a net amount recorded of \$580,410.

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 11. SUBSEQUENT EVENT

On August 28, 2008, the Authority issued general obligation bonds in the amount of \$9,750,000. These bonds have the following terms:

Series 2008

Original amount: \$9,750,000
Interest rate - 2.75% to 3.5%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2009	\$ -	126,132	126,132
2010	3,275,000	247,656	3,522,656
2011	2,000,000	171,031	2,171,031
2012	1,000,000	128,531	1,128,531
2013	1,000,000	98,531	1,098,531
2014-2016	2,475,000	128,391	2,603,391
	<u>\$ 9,750,000</u>	<u>900,272</u>	<u>10,650,272</u>

Total all debt, including Series 2008

2009	\$ 7,650,000	1,161,820	8,811,820
2010	8,275,000	953,906	9,228,906
2011	6,350,000	706,781	7,056,781
2012	5,750,000	508,156	6,258,156
2013	5,750,000	317,718	6,067,718
2014-2016	5,975,000	237,454	6,212,454
	<u>\$ 39,750,000</u>	<u>3,885,835</u>	<u>43,635,835</u>

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
DEBT SERVICE FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 7,764,489	7,764,489	\$ 8,544,199	779,710
Less reappraisal fee	(77,645)	(77,645)	(84,981)	(7,336)
Net property taxes	7,686,844	7,686,844	8,459,218	772,374
Investment and other	148,036	148,036	158,089	10,053
Total revenues	7,834,880	7,834,880	8,617,307	782,427
Expenditures				
Debt Service:				
Interest and fiscal charges	741,619	741,619	741,619	-
Bond principal	6,200,000	6,200,000	6,200,000	-
Total expenditures	6,941,619	6,941,619	6,941,619	-
Net change in fund balance	893,261	893,261	1,675,688	782,427
Prior year cash balance required to balance budget	\$ -	-		
Fund balance, beginning of year			7,638,548	
Fund balance, end of year			\$ 9,314,236	
Budgetary Revenues			\$ 8,617,307	
Reappraisal fees classified as an expense under GAAP			84,981	
Change in property tax receivable			30,402	
Change in deferred revenues			(44,252)	
GAAP revenues			\$ 8,688,438	
Budgetary Expenses			\$ 6,941,619	
Reappraisal fees classified as an expense under GAAP			84,981	
Bond premium, unbudgeted			-	
GAAP expenses			\$ 7,026,600	

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
CAPITAL PROJECTS FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Investment	\$ 154,650	154,650	\$ 381,784	227,134
Revenue from jointly funded projects	6,178,860	6,178,860	2,433,627	(3,745,233)
Other	-	-	1,199	1,199
Total revenues	6,333,510	6,333,510	2,816,610	(3,516,900)
Expenditures				
Capital outlay and noncapitalizable construction costs	21,570,589	21,570,589	16,645,583	4,925,006
Bond issuance costs	160,000	160,000	56,674	103,326
Total expenditures	21,730,589	21,730,589	16,702,257	5,028,332
Deficiency of revenues over expenditures before other financing uses	(15,397,079)	(15,397,079)	(13,885,647)	1,511,432
Other financing sources				
Proceeds from bond sale	19,500,000	19,500,000	10,750,000	(8,750,000)
Total other financing sources and uses	19,500,000	19,500,000	10,750,000	(8,750,000)
Net change in fund balance	4,102,921	4,102,921	(3,135,647)	(7,238,568)
Prior year cash balance required to balance budget	\$ -	-		
Fund balance, beginning of year			4,209,816	
Fund balance, end of year			\$ 1,074,169	
Budgetary Expenses			\$ 16,702,257	
Change in accounts payable			(511,325)	
GAAP expenses			\$ 16,190,932	

STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 SCHEDULE OF ASSETS AND LIABILITIES - AGENCY FUNDS
 June 30, 2008

	Ditch and Water Safety Task Force Fund	Storm Water Quality Coordinator	Area Wide Agency	Total Agency Funds
ASSETS				
Cash in bank	\$ 61,867	125,741	286,609	474,217
Investments	-	-	550,000	550,000
Total assets	<u>\$ 61,867</u>	<u>125,741</u>	<u>836,609</u>	<u>1,024,217</u>
LIABILITIES				
Funds held for others	\$ 61,867	125,741	836,609	1,024,217
Total liabilities	<u>\$ 61,867</u>	<u>125,741</u>	<u>836,609</u>	<u>1,024,217</u>

STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
June 30, 2008

Description	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Ditch and Water Safety Task Force Fund				
Assets				
Cash in bank	\$ 59,407	79,488	(77,028)	61,867
Liabilities				
Deposits held for others	\$ 59,407	79,488	(77,028)	61,867
Storm Water Quality Coordinator				
Assets				
Cash in bank	\$ 71,663	77,000	(22,922)	125,741
Total assets	\$ 71,663	77,000	(22,922)	125,741
Liabilities				
Deposits held for others	\$ 71,663	77,000	(22,922)	125,741
Total liabilities	\$ 71,663	77,000	(22,922)	125,741
Area Wide Agency				
Assets				
Cash in bank	\$ -	869,809	(583,200)	286,609
Investments	-	550,000	-	550,000
Total assets	\$ -	1,419,809	(583,200)	836,609
Liabilities				
Deposits held for others	\$ -	1,419,809	(583,200)	836,609
Total liabilities	\$ -	1,419,809	(583,200)	836,609
All Agency Funds				
Assets				
Cash in bank	\$ 131,070	1,026,297	(683,150)	474,217
Investments	-	550,000	-	550,000
Total assets	\$ 131,070	1,576,297	(683,150)	1,024,217
Liabilities				
Deposits held for others	\$ 131,070	1,576,297	(683,150)	1,024,217
Total liabilities	\$ 131,070	1,576,297	(683,150)	1,024,217

**STATE OF NEW MEXICO
 ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
 SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2008**

The following presents the collateral requirements for the Authority's bank demand deposit accounts at June 30, 2008:

Wells Fargo, Albuquerque, NM - demand deposit accounts:

Depository balances as of June 30, 2008

Checking	
Debt Service Fund	\$ 945
Storm Quality Education	125,741
Area Wide Maintenance	286,609
Ditch & Water Safety Task Force Fund Operating	8
	<u>413,303</u>
Savings	
Ditch & Water Safety Task Force Fund Reserve	61,859
	<u>61,859</u>
Total depository balances	475,162
Less FDIC insurance coverage	<u>(161,859)</u>
Uninsured balance	\$ 313,303
Collateralization required (50%)	<u>\$ 156,652</u>

The following presents the collateral requirements for the Authority's bank repurchase accounts at June 30, 2008:

Wells Fargo, Albuquerque, NM - repurchase accounts:

Depository balances as of June 30, 2008

Checking Master Account (Repurchase)	\$ 37,350
	<u>37,350</u>
Uninsured balance	\$ 37,350
Collateralization required (102%)	<u>\$ 38,097</u>

Collateral provided - held for Wells Fargo at the Federal Reserve Bank in Omaha, Nebraska.

Collateral value is fair market value at June 30, 2008.

Fannie Mae, Interest Only AAA Rated Securities

par \$3,964,676.95; interest rate 5.5%; maturity date June 1, 2037;
 CUSIP #3128MTA73

	\$ 3,877,330
	<u>3,877,330</u>
Total collateral	3,877,330
Collateralization in excess of requirement	<u>\$ 3,682,581</u>

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Danny Hernandez, Chair
Albuquerque Metropolitan Arroyo Flood Control Authority
Albuquerque, New Mexico
and
Hector H. Balderas
State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the respective budgetary comparison of the general fund and the budgetary comparisons for the capital projects and debt service funds presented as supplemental information of the Albuquerque Metropolitan Arroyo Flood Control Authority (Authority) as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph on this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 08-01.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Authority, the Board of Directors, Office of the State Auditor, New Mexico Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company, LLC

Albuquerque, New Mexico
August 29, 2008

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2008**

08-01 Travel and Per Diem

CRITERIA

Per 2.42.2.9 NMAC, on the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. In addition, in order to determine that unallowable items are not included as part of reimbursable costs, detailed receipts should be required.

CONDITION

As part of our testwork on compliance with the Authority's travel and per diem policy, employees were reimbursed actual meal costs on the days in which lodging was no longer required. This resulted in an underpayment to the respective employee of \$7.30 since the partial per diem would have been greater than the reimbursed amounts. In addition, we noted the Authority allows employees to submit statements or credit card slips that are not itemized. These receipts are generally for meals charged to the room and meals in airports.

CAUSE

The review procedures in place do not specifically address partial day travel reimbursements or itemized receipts.

EFFECT

The employees were not reimbursed for the amounts they were entitled. Also, accepting receipts that are not itemized increases the risk that unallowable expenses are included as part of reimbursements.

RECOMMENDATION

Since the Authority follows the State of New Mexico Statutes regarding travel and per diem, we believe that key Management should carefully review the travel and per diem policy and revise or strengthen the existing policy as needed and provide training to Authority employees. Further, we suggest that Management not accept travel reimbursements for actual expenditures unless itemized receipts are included.

RESPONSE

We will implement additional reviews over travel and per diem reimbursements. In addition, we will consult with our legal counsel to insure that the policies in place are not in violation of state statutes. We will also provide training on an as needed basis.

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008**

NONE

**STATE OF NEW MEXICO
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL AUTHORITY
EXIT CONFERENCE
For the Year Ended June 30, 2008**

Exit Conference

An exit conference was held on September 4, 2008 to discuss the annual financial report. Attending were the following:

Representing the Albuquerque Metropolitan Arroyo Flood Control Authority:

Board Members

Danny Hernandez, Chair

Administrative Staff

John P. Kelly, P.E. – Executive Engineer
Irene Jeffries – Business Manager

Representing the Independent Auditor:

Sandra K. Ricci, Principal, CPA
Herman Chavez, CPA

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.