



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

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2013

atkinson

PRECISE. PERSONAL. PROACTIVE.

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State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

OFFICIAL ROSTER

June 30, 2013

BOARD MEMBERS

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

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Vice-Chairman
Secretary-Treasurer
Assistant Secretary-Treasurer
Director

ADMINISTRATIVE STAFF

Jerry M. Lovato, P.E.
Irene B. Jeffries

Executive Engineer
Finance & Administrative Manager



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Albuquerque Metropolitan Arroyo Flood Control Authority

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and budgetary comparison for the general fund of the Albuquerque Metropolitan Arroyo Flood Control Authority (the Authority) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Authority's budgetary comparison schedules for the debt service, capital projects and building improvement funds presented as supplementary information for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Albuquerque Metropolitan Arroyo Flood Control Authority as of June 30, 2013, and the respective changes in financial position and the aggregate remaining fund information and respective budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the budgetary comparison schedules for the debt service, capital projects and building improvement funds for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

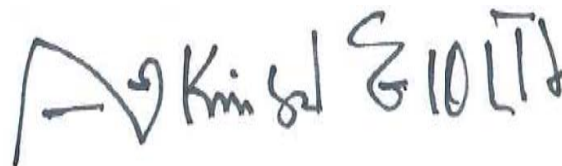
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison schedules for the debt service fund, capital projects and building improvement funds presented as supplementary information. The accompanying Schedule of Assets and Liabilities - Agency Funds, Changes in Assets and Liabilities - All Agency Funds, and Schedule of Pledged Collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a smaller 'K'.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 4, 2013

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information

June 30, 2013

The Albuquerque Metropolitan Arroyo Flood Control Authority's (the Authority or AMAFCA) discussion and analysis is designed to (i) provide an overview of the Authority, its mission and function; (ii) provide a description of significant capital assets; (iii) 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; (iv) provide an analysis of the Authority's financial position; and (v) identify any material deviations from the financial plan (approved budget).

Authority's Mission

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 reaction with other government bodies and agencies.

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 an eleven-man crew. The Field Engineer oversees these maintenance functions as part of his job duties.

Drainage Master Planning and Design Management: The Authority has an on-going program of master planning drainage facilities and designing the 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.

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Financial Highlights

- The financial position of the Authority is historically very strong. As of June 30, 2013, the Authority's unrestricted net assets were about \$8.6M, or about 145% of the total entity wide expenditures. The unrestricted net assets also exceed 300% of the average annual general fund expenditure in the past decade.
- The Authority completed approximately \$8.2M in capital projects. Further, the Authority has approximately \$9.8M of on-going flood control capital projects.
- The Authority is one of the highest rated government agencies in the state of New Mexico; Standard & Poor's Rating Services a AAA (upgraded in 2007 from a AA+) and a AAA rating from Moody's Investors.
- Total cash and investments (including restricted in fiscal year 2013) increased by approximately \$3.3M from the previous year. This increase is related to the timing of progress payments made to contractors on various projects and the annual bond sale.
- General government expense increased by approximately \$320,500, which was not a significant change from the previous year.

Overview of Financial Statements

The financial statements of the Authority 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. 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 funds. See Notes to Financial Statements, Note A – 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 Authority as a whole:

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ended June 30, 2013 and 2012. 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 years ended June 30, 2013 and 2012.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Table A-1
The Authority's Net Position

	Government Activities June 30, 2013	Government Activities June 30, 2012
Current assets	\$ 32,193,126	\$ 28,928,210
Capital assets, net of depreciation	189,958,834	181,955,212
Other assets		
Bond issuance costs	212,848	189,317
Restricted investments	-	-
Total assets	<u>\$ 222,364,808</u>	<u>\$ 211,072,739</u>
Current liabilities	\$ 10,389,922	\$ 8,893,620
Non-current liabilities	<u>31,551,114</u>	<u>30,279,550</u>
Total liabilities	41,941,036	39,173,170
Net Position		
Net investment in capital assets	150,275,632	144,580,212
Restricted for:		
Debt service	10,778,971	9,952,412
Capital projects	10,687,825	8,949,372
Unrestricted	<u>8,681,344</u>	<u>8,417,573</u>
Total net position	<u>180,423,772</u>	<u>171,899,569</u>
Total liabilities and net position	<u>\$ 222,364,808</u>	<u>\$ 211,072,739</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

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, 2013, the Authority's operating mill levy was 0.176 for residential property and 0.477 mills for non-residential property.
- The Debt Service mill levy is used to account for accumulation of resources for, and the payment of, general long-term debt. At June 30, 2013, the Authority's Debt Service mill levy was 0.675 mills. Debt has historically been structured to maintain a level mill levy of 0.675. The Authority's Debt Service mill levy has remained the same since 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 imposed by the Sandoval County Treasurer, on the Authority's behalf for fiscal year 2013. 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, 2013 were \$13,085,894 as compared to \$12,712,512 for the fiscal year ended June 30, 2012. The budget used conservative property values and interest rates in estimating revenues.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Changes in Net Assets: The Authority's changes in net position for fiscal year 2013 was \$8,524,203. See table below.

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

	Government Activities June 30, 2013	Government Activities June 30, 2012
Program Revenues		
Revenue from jointly funded projects	\$ 4,112,179	\$ 9,140,207
General revenues		
Property taxes	13,085,894	12,712,512
Investment	36,683	2,496
Net loss on disposal of capital assets	(28,493)	-
Other	42,151	27,952
Total revenues	17,248,414	21,883,167
Expenses		
General government	1,218,857	898,335
Flood control	3,771,101	3,927,839
Planning, engineering, R&D	684,870	944,721
Capital outlay - intergovernmental	2,236,304	5,891,635
Interest on long-term debt	813,079	775,004
Total expenses	8,724,211	12,437,534
Change in net position	8,524,203	9,445,633
Beginning net position, July 1, 2012	171,899,569	162,453,936
Ending net position, June 30, 2013	\$ 180,423,772	\$ 171,899,569

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Budgetary Performance

General Operating Fund Budget

The budget used conservative growth factors for the assessed valuation, which exceeded actual growth in assessed valuation resulting in more tax revenue. This resulted in actual collections of \$305,590 over budget.

Debt Service Fund Budget

The budget used conservative growth factors for the assessed valuation, which were less than actual growth in assessed valuation resulting in more tax revenue. This resulted in actual collections of \$960,566 over budget. The budget used conservative interest rates in estimating interest income and did not include a bond premium issuance. The total expenditures were \$120,000 less than the budget and was due to the interest payment for the 2012 bond sale, which occurred after the budget was finalized, being an estimated amount.

Capital Projects Fund Budget

Actual revenues in the capital projects fund were \$2.3M less than budget primarily due to planned jointly funded projects not starting during fiscal year 2013.

Other financing sources in the capital projects fund were \$12.5M less than budget primarily due to a \$10M bond sale being held after fiscal year end, instead of during the year.

Total expenditures the capital projects fund were \$13.8M less than budgeted due to the timing of the construction in progress, in which the entire project is budgeted but only a portion of the project is completed during the year.

Building & Yard Improvement Fund Budget

There were no expenditures in the Building & Yard Improvement Fund during fiscal year 2013. The only activity in this fund was the planned transfer of \$50,000 from the General Fund.

Capital Assets – Debt Administration

Capital Assets

Major projects completed or closed out during fiscal year 2013 were:

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Capital Assets – Debt Administration - Continued

Southwest Valley Drainage Phase I

This is a cost share project with the U.S. Army Corps of Engineers and Bernalillo County. The project installed a master-planned drainage channel identified in the Southwest Valley Flood Reduction Feasibility Study to remove flood plain in the valley floor. In addition to installing the "backbone" drainage channel to connect the Isleta and Los Padillas Drains to the Rio Grande, the project included two Best Management Practices Water Quality Structures that were installed to enhance storm water quality. AMAFCA expended a total of \$1,584,079 for design and construction of the project.

El Bordo Storm Drain

This is a funding agreement between AMAFCA and the City of Albuquerque to improve the hydraulic efficiency of an existing siphon of El Bordo and 10th Street along the 96" diameter Barelmas Storm Drain. The project included doing rehabilitation work in the Barelmas Storm Drain.

La Presa Detention Basin

This project provides a storm water detention dam that will detain flows in the West I-40 drainage system and release at master-planned rates. The project includes two water quality features that provide an opportunity for enhanced water quality. Total design and construction of the project was \$2,131,824.

Sunset Gardens / Five Points RW Improvements

This project was a cost share between AMAFCA and Bernalillo County and included the installation of master-planned storm drain facilities identified in the Southwest Valley Flood Reduction Feasibility Study. AMAFCA funded drainage improvements for Sunset Gardens Road SW and Five Points Road. AMAFCA's contribution to the project was \$850,000.

Vista Del Rio 2011

This project was a cost share agreement for the funding of the Vista Del Rio Storm Drainage Project. Regional flooding problems existed in the Vista Del Rio neighborhood of the South Valley surrounded by Mesa Road on the north, La Vega Drive on the east, Isleta Boulevard on the west, and Blake Road on the south. AMAFCA funded the storm drainage portion of the project totaling \$1,106,733.

Isleta Boulevard Reconstruction Phase II / Barcelona SD

This project was a funding agreement between AMAFCA and Bernalillo County and installed new storm drains along a portion of Isleta Boulevard between Rio Bravo to the South and Arenal to the north. Storm drains were placed in such a manner to address flooding along the Isleta Corridor. AMAFCA's contribution to the project was \$261,000 toward construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Capital Assets – Debt Administration - Continued

Miscellaneous AMAFCA Projects 2012

Miscellaneous 2012 installed a ported outlet structure on Ladera Dam 5, informational signage, a temporary water quality structure at the Pino outlet, bat houses for vector control in various locations, dump stations for water quality control at various locations, and depth markers at various locations. Total cost for engineering and construction of the project was \$493,270.

I-40 / Embudo Channel Improvements

This project was a funding agreement between AMAFCA and the New Mexico Department of Transportation to study the drainage and traffic needs along the I-40 / Embudo Channel in northeast Albuquerque. AMAFCA's contribution to the project was \$434,445 for engineering and design.

Miscellaneous

AMAFCA also closed out various miscellaneous projects including FEMA Letter of Map Revisions (LOMR), Avulsion Number 1, SDC Baffle Chute, and the North Valley DMP Pond for a total of \$326,649.

Debt Administration

The Authority's legal debt limit is \$80,000,000, which was raised by State Legislature in January 2007, up from \$40,000,000. Total bonded debt is made up of eight series of general obligation bonds (Series 2005, 2006, 2007, 2008, 2009, 2010, 2011, and 2012) which are scheduled to be retired gradually over the next seven years. The total proceeds of these eight series of bonds is \$80,000,000. At June 30, 2013, the Authority's outstanding principal debt was \$39,600,000 resulting in a legal debt margin of 49.5% of the \$80,000,000 total general obligation bonding capacity. Total outstanding principal and interest was \$40,023,594 versus \$38,423,557 in fiscal year 2012. The increase is due to the sale of the \$10,000,000 bond issue. The Authority paid \$7,775,000 in principal for the period ending June 30, 2013.

In September 2012, the Authority sold the first 10M of the 2010 authorization. The interest rate on that sale was 1.16824%.

In November 2012, the Authority sold the second 10M of the 2010 authorization. The interest rate on that sale was .843285%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2013

Economic Factors and Next Year's Budgets and Rates

- Residential ad valorem property tax rates increased from the prior year to comply with the Yield Control Act (7-37-7.1 NMSA 1978). The total residential ad valorem property tax rate for fiscal year 2013 was 0.851 versus 0.845 for fiscal year 2012. The total non-residential ad valorem property tax rate in fiscal year 2013 was 1.152, the same as in fiscal year 2012. The debt service ad valorem property tax rate of 0.675 has remained constant since tax year 1999.

The Authority's fiscal year 2014 adopted budget for the general fund includes estimated revenues of \$3,463,578, a slight decrease from the fiscal year 2013 actual revenues of \$3,577,530. The Authority plans a transfer of \$108,000 from the Building & Yard Fund to the General Fund to augment purchase of property adjacent to the Authority. Budgeted expenditures for fiscal year 2014 total \$4,051,227, an increase of approximately 27% percent over fiscal year 2013 actuals. This increase is attributed to the anticipated purchase of property adjacent to the Authority for expansion of its maintenance yard.

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 his 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

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 87,172
Investments	30,824,874
Property tax receivables, net of allowance	1,044,660
Joint project receivables	<u>236,420</u>
Total current assets	32,193,126
CAPITAL ASSETS	
Capital assets not being depreciated	38,945,494
Capital assets being depreciated, net	<u>151,013,340</u>
Total capital assets	189,958,834
OTHER ASSETS	
Bond issuance costs, less accumulated amortization of \$255,511	<u>212,848</u>
Total other assets	<u>212,848</u>
Total assets	<u><u>\$ 222,364,808</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 577,212
Accrued payroll and taxes	347,647
Compensated absences payable, current portion	66,469
Bonds payable, current portion	8,975,000
Accrued interest payable	<u>423,594</u>
Total current liabilities	10,389,922
Noncurrent liabilities	
Compensated absences payable - expected to be paid after one year	48,257
Bonds payable, net of current portion	30,625,000
Bond premium, less accumulated amortization of \$480,882	<u>877,857</u>
Total noncurrent liabilities	<u>31,551,114</u>
Total liabilities	41,941,036
NET POSITION	
Net investment in capital assets	150,275,632
Restricted	
Debt service	10,778,971
Capital projects	10,687,825
Unrestricted	<u>8,681,344</u>
Total net position	<u>180,423,772</u>
Total liabilities and net position	<u><u>\$ 222,364,808</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

	Expenses	Program Revenues Capital Contributions and Revenue from Jointly Funded Projects	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Flood control	\$ (3,771,101)	\$ -	\$ (3,771,101)
General government	(1,218,857)	-	(1,218,857)
Planning, engineering, research and development	(684,870)	-	(684,870)
Capital outlay, noncapitalized	(2,236,304)	4,112,179	1,875,875
Interest on long-term debt	(813,079)	-	(813,079)
	\$ (8,724,211)	\$ 4,112,179	(4,612,032)
General revenues			
Property taxes			13,085,894
Investment			36,683
Net loss on disposal of property			(28,493)
Other			42,151
			13,136,235
Change in net position			8,524,203
Net position, beginning of year			171,899,569
Net position, end of year			\$ 180,423,772

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

ASSETS

	General Fund	Debt Service Fund	Capital Projects Fund	Building & Yard Improvement Fund	Total Governmental Funds
ASSETS					
Petty cash	\$ 200	\$ -	\$ -	\$ -	\$ 200
Cash in bank	69,641	971	16,074	286	86,972
Investments	9,358,078	10,778,971	10,579,378	108,447	30,824,874
Property taxes receivable	317,268	727,392	-	-	1,044,660
Joint projects receivables	-	-	236,421	-	236,421
Total assets	\$ 9,745,187	\$ 11,507,334	\$ 10,831,873	\$ 108,733	\$ 32,193,127

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 80,024	\$ -	\$ 499,635	\$ -	\$ 579,659
Accrued payroll and taxes	347,647	-	-	-	347,647
Deferred revenue	220,126	502,094	-	-	722,220
Total liabilities	647,797	502,094	499,635	-	1,649,526
FUND BALANCES					
Restricted					
Flood control construction and maintenance	5,168,739	-	-	-	5,168,739
Debt service	-	11,005,240	-	-	11,005,240
Committed					
General	3,900,000	-	-	-	3,900,000
Capital projects	-	-	10,332,238	-	10,332,238
Building and improvements	-	-	-	108,733	108,733
Unassigned					
General	28,651	-	-	-	28,651
Total fund balances	9,097,390	11,005,240	10,332,238	108,733	30,543,601
Total liabilities and fund balances	\$ 9,745,187	\$ 11,507,334	\$ 10,831,873	\$ 108,733	\$ 32,193,127

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2013

Total fund balance - governmental funds		\$ 30,543,601
Amounts reported for governmental activities in the statement of net assets are different 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 fund financial statements.		722,220
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet. These assets consist of:		
Total capital assets	237,902,040	
Less accumulated depreciation	(47,943,206)	
Related debt	<u>(39,600,000)</u>	
Total capital assets, net of related debt and depreciation		150,358,834
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences payable		(114,726)
Accrued interest payable		(423,594)
Other		2,446
Bond issuance costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities.		
Total bond costs	468,359	
Less accumulated amortization	<u>(255,511)</u>	212,848
Bond premium costs are amortized for governmental activities but are a current other financing source in fund financial statements.		
Total bond premium	(1,358,739)	
Less accumulated amortization	<u>480,882</u>	<u>(877,857)</u>
Net position of governmental activities (Statement of Net Position)		<u>\$ 180,423,772</u>

The accompanying notes are an integral part of this financial 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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Building & Yard Improvement Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,603,612	\$ 9,394,695	\$ -	\$ -	\$ 12,998,307
Investments	13,428	7,329	15,815	122	36,694
Revenue from jointly funded projects	-	-	260,272	-	260,272
Revenue from property sales	-	-	9,233	-	9,233
Other	30,461	-	-	-	30,461
Total revenues	3,647,501	9,402,024	285,320	122	13,334,967
EXPENDITURES					
Current					
General government	1,236,167	-	-	-	1,236,167
Flood control	1,199,220	-	-	-	1,199,220
Planning, engineering, research and development	684,870	-	-	-	684,870
Capital outlay	131,716	-	8,761,097	-	8,892,813
Debt service					
Interest and fixed charges	-	888,673	-	-	888,673
Bond principal retirement	-	7,775,000	-	-	7,775,000
Reappraisal fees	35,693	92,497	-	-	128,190
Bond issuance costs	-	-	82,746	-	82,746
Total expenditures	3,287,666	8,756,170	8,843,843	-	20,887,679
Excess (deficiency) of revenues over expenditures	359,835	645,854	(8,558,523)	122	(7,552,712)
OTHER FINANCING SOURCES AND USES					
Operating transfers in	-	-	-	50,000	50,000
Operating transfers out	(50,000)	-	-	-	(50,000)
Face amount from bond sales	-	-	10,000,000	-	10,000,000
Bond premium issuance	-	406,974	-	-	406,974
Total other financing sources and uses	(50,000)	406,974	10,000,000	50,000	10,406,974
Net change in fund balances	309,835	1,052,828	1,441,477	50,122	2,854,262
Fund balances, beginning of year	8,787,555	9,952,412	8,890,761	58,611	27,689,339
Fund balances, end of year	\$ 9,097,390	\$ 11,005,240	\$ 10,332,238	\$ 108,733	\$ 30,543,601

The accompanying notes are an integral part of this financial 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**

June 30, 2013

Net change in fund balances - governmental funds		\$ 2,854,262
Amounts reported for governmental activities in the statement of activities are different because:		
In the governmental funds, proceeds from long-term debt are reported as revenues		(10,000,000)
In the governmental funds, payments from long-term debt are reported as expenditures		7,775,000
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities - current year amortization		(59,215)
Bond issuance costs are expenses for fund financial statement purposes but are capitalized for governmental activities		82,746
Bond premium is not amortized for fund financial statement purposes but is for governmental activities - current year amortization		167,498
Bond premiums are included as other revenues for fund financial statement purposes but are capitalized for governmental activities		(406,974)
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 was:		
Compensated absences payable		(1,142)
Accrued interest payable		20,820
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:		
		87,587
The governmental funds report capital outlays as expenditures. However, in the statement of net position, 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	7,002,664	
Loss on sale of assets	(28,493)	
Depreciation	(2,822,457)	
Excess of capital outlay over depreciation		4,151,714
In the statement of activities, turnkey contributed projects are recorded as revenues, these revenues are not recorded in the governmental fund statements		<u>3,851,907</u>
Changes in net position of governmental activities (statement of activities)		<u>\$ 8,524,203</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL – GENERAL FUND**

Year ended June 30, 2013

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,263,744	\$ 3,263,744	\$ 3,569,334	\$ 305,590
Less reappraisal fee	(32,637)	(32,637)	(35,693)	(3,056)
Net property taxes	3,231,107	3,231,107	3,533,641	302,534
Investment - other	28,995	154,616	43,889	(110,727)
Total revenues	3,260,102	3,385,723	3,577,530	191,807
Expenditures				
Salary and related payroll costs	2,071,776	2,139,977	1,898,567	241,410
Other operating costs	1,348,665	1,406,085	1,274,408	131,677
Emergency contingency	400,000	400,000	-	400,000
Total expenditures	3,820,441	3,946,062	3,172,975	773,087
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(560,339)	(560,339)	404,555	(581,280)
Other financing sources and uses				
Transfers to other funds	(150,000)	(150,000)	(150,000)	-
Net change in fund balance	<u>\$ (710,339)</u>	<u>\$ (710,339)</u>	254,555	<u>\$ (581,280)</u>
Prior year cash balance required to balance budget	<u>\$ 310,339</u>	<u>\$ 310,339</u>		
Fund balance, beginning of year			<u>8,392,618</u>	
Fund balance, end of year			<u>\$ 8,647,173</u>	
Budgetary revenues			\$ 3,577,530	
Change in property tax receivable			80,182	
Change in deferred revenues			(45,904)	
Reappraisal fees			35,693	
GAAP revenues			<u>\$ 3,647,501</u>	
Budgetary expenses			\$ 3,172,975	
Exclusion of reappraisal fees			(35,693)	
Change in accounts payable			(14,229)	
Change in accrued payroll and other liabilities			(205,566)	
Deposits included as budgetary expenses			370,179	
GAAP expenses			<u>\$ 3,287,666</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – ALL AGENCY FUNDS

June 30, 2013

ASSETS

Cash in bank	\$ 381,832
Investments	<u>3,406,348</u>
Total assets	<u>\$ 3,788,180</u>

LIABILITIES

Funds held for others	<u>\$ 3,788,180</u>
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The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Function and Definition of Entity

The Albuquerque Metropolitan Arroyo Flood Control Authority (Authority) was created by the Arroyo Flood Control Act of 1963 (the Act) 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 Authority'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. Governmental Accounting Standards Board (GASB) Statement No. 61, effective for fiscal year 2013 further requires a financial benefit or burden relationship be present in addition to fiscal dependency between the primary government and the organization to be included as a component unit.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

1. Function and Definition of Entity - Continued

There were no component units of the Albuquerque Metropolitan Arroyo Flood Control Authority during the year June 30, 2013.

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 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.

2. Basic Financial Statements

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The 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 Position, the governmental activities 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 implemented GASB Statement No. 63 for the year ended June 30, 2013. The Statement of Net Position now includes deferred inflows and deferred outflows as applicable. There were no deferred inflows or deferred outflows at June 30, 2013. See Note L for more information on the implementation of GASB 63.

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: flood control, general government, and planning, engineering, design, research and development.

The net cost (by function) is normally covered by general revenues (taxes, inter-governmental 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, 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

2. Basic Financial Statements - Continued

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, the Building Improvement Fund, and the Capital Projects Fund have been classified as major funds. There were no non-major 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 government-wide presentation.

Internal activity among the various funds is eliminated in the government-wide financial statements. There were no interfund balances at June 30, 2013.

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.

3. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

3. Basis of Presentation - Continued

Governmental accounting principles specify 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 on bond holdings.

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

Building Improvement Fund. The Building Improvement Fund is used to account for financial resources to be used for costs associated with the building and improvement of the Authority's office building.

Fiduciary Funds. *Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments. The Authority only had agency funds during the year ended June 30, 2013. *Agency funds* are used to account for assets that government holds for others in an agency capacity.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

4. 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 statement. 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.

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 traditional 60 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 No. 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.

5. 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. The legal level of budgetary control is at the fund level. 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, 2013 was properly approved by the Authority's Board and by the Local Government Division. It was subsequently properly amended.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. 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:

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

2. Sick leave accumulation over 850 hours may be converted at the following ratios:
 - Two hours of sick leave to one hour of vacation leave, or
 - 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:
 - Three hours of sick leave for two hours of vacation leave, or
 - Three hours of sick leave to two hours of cash payments.

Compensated absences payables of \$114,726 have been recorded in the government-wide financial statements. Of the \$114,726, \$66,469 is considered to be the current portion while \$48,257 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, 2013 and does not include estimated payroll tax and fringe benefit costs. The amount also does not include any sick leave that is eligible to be converted to vacation leave, cash or for payment upon retirement. The General Fund is the only fund which has been and which will be used to liquidate compensated absences liabilities.

	June 30, 2012	Additions	Deletions	June 30, 2013	Due Within One Year
Compensated absences payable	\$ 113,584	\$ 76,437	\$ 75,295	\$ 114,726	\$ 66,469

7. Capital Assets

Property, plant, and equipment purchased or acquired, including software, are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair 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 as incurred. The Authority's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000 per 12-6-10 NMSA 1978. However, all capital outlay purchases may not necessarily be capitalized.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Capital Assets - Continued

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

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 depreciate its infrastructure rather than utilize the modified approach to account for infrastructure.

8. 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 sixty days of year-end. Expenditures are recognized when related fund liability is incurred.

9. Net Position

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

Net Investment in Capital Assets - is intended to reflect the portion of net position 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 \$39,600,000 at June 30, 2013.

Restricted - 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 - represent the residual assets of the Authority which are not restricted.

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

10. Fund Balance - Continued

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaids, deposits with vendors, assets held for sale, and long-term receivables.

Restricted Fund Balance - Restricted funds are either externally imposed (such as debt covenants, grantor, contributors or other governments) or are imposed by law (constitutionally or enabling legislation).

Committed Fund Balance - The Authority's Committed Funds require formal action of the Board of Directors by resolution that identifies the specific circumstances under which these resources may be expended.

Assigned Fund Balance - Amounts that are constrained by the Authority's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund can report a positive "unassigned fund balance". Other governmental funds might report a negative balance in this classification.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Details of the fund balances are included in the Governmental Fund Balance Sheet.

11. 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.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

12. Bond Issuance Costs and Bond Premium

Bond issuance costs of \$468,359 (\$82,746 in current year) 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 \$1,358,739 (\$406,974 in current year) 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.

13. 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, 2013 is attributable to the following:

Delinquent property taxes	<u>\$ 722,220</u>
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14. 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.

15. Subsequent Events

Subsequent events have been evaluated through November 4, 2013, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2013. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE B - CASH AND INVESTMENTS

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 – CONTINUED

June 30, 2013

NOTE B - 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, 2013, 100% of the cash balance was insured.

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, 2013:

Wells Fargo, Albuquerque, NM - all are demand deposit accounts except for ditch and water safety accounts and Boca Negra Dam savings

Cash balances per depository at June 30, 2013:

Checking and unassigned accounts	\$ 473,019
Debt Service Account	971
Storm Quality Education	108,244
Ditch & Water Safety Task Force	51,636
Boca Negra Dam	1,730
Boca Negra Dam Savings	34,788
Area Wide Maintenance	<u>185,434</u>
Total deposits	855,822
 Petty cash	 <u>200</u>
Subtotal	856,022
 Less outstanding checks and adjustments, all accounts	 (387,018)
Less agency funds - cash and savings accounts	<u>(381,832)</u>
Net carrying value at June 30, 2013	<u><u>\$ 87,172</u></u>
 Shown as:	
General Fund	\$ 69,841
Debt Service Fund	971
Capital Projects Fund	16,074
Building Improvement Fund	<u>286</u>
Total cash per government-wide financial statements	<u><u>\$ 87,172</u></u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B - CASH AND INVESTMENTS - CONTINUED

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). As of June 30, 2013, 30% of the Authority's deposits were insured. The remaining 70% is covered by collateral held by the pledging bank's trust in the Authority's name, therefore, there was no custodial credit risk at June 30, 2013. See Schedule of Pledged Collateral on Page 54.

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.

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 6-10-10.1, 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.

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 Authority has no control over the State Treasurer's investment pools and provides the following disclosure provided by the State Treasurer's office concerning the Authority's investment in the *New MexiGROW* LGIP:

June 30, 2013			
<i>New MexiGROW</i> LGIP	AAAm rated	\$6,026,330	59 day
WAM(R) and 90 day WAM (F)			

GASB No. 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, 2013:

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B - CASH AND INVESTMENTS - CONTINUED

General Fund	\$ 9,358,078
Debt Service Fund	10,778,971
Capital Projects Fund	10,579,378
Building Improvement Fund	<u>108,447</u>
Total governmental funds	30,824,874
Agency Fund	<u>3,406,348</u>
Total investments	<u>\$ 34,231,222</u>

The State Treasurer's Office (STO) issues standalone audited financial statements available to the public containing full disclosures of investments. That report is available on the website of the STO at www.nmsto.gov.

NOTE C - 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.

Article VIII, Section 2 of New Mexico Constitution limits the total ad valorem taxes for operational purpose 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 Authority has, as of June 30, 2013, 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 1.170 mills per \$1,000 of assessed value on all residential property and 0.477 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, 2013:

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE C - PROPERTY TAXES AND PROPERTY TAX RECEIVABLES - CONTINUED

Receivables	
Current property taxes	\$ 322,440
Delinquent property taxes, net of allowance of \$120,000 for doubtful accounts	<u>722,220</u>
 Total receivables	 <u><u>\$ 1,044,660</u></u>

Of the property taxes noted above, \$97,142 in the General Fund and \$225,298 in the Debt Service Fund are considered available financial resources and considered fully collectible. Delinquent property taxes of \$722,220 have been recorded in the government-wide financial statements, which includes receivables for all uncollected levied taxes. Delinquent property taxes do not represent measurable available resources so they are considered to be deferred revenue in the fund financial statements. Delinquent property taxes are secured by liens operating as a matter of law and are considered collectible except as provided for above. It is reasonably possible that certain property taxes may be collected over periods greater than 1 year.

NOTE D - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	June 30, 2012	Additions	Transfers	Sales or Other Dispositions	June 30, 2013
Capital assets not being depreciated					
Infrastructure:					
Land acquisition	\$ 27,333,217	\$ 1,811,500	\$ -	\$ -	\$ 29,144,717
Construction in progress	9,212,429	8,761,097	(8,172,749)	-	9,800,777
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	36,545,646	10,572,597	(8,172,749)	-	38,945,494
 Capital assets being depreciated					
Operations:					
Furniture and fixtures	119,177	9,637	-	(44,548)	84,266
Maintenance tools and automotive equipment	1,610,024	189,136	-	(67,912)	1,731,248
Office and maintenance buildings	1,353,489	-	-	-	1,353,489
Infrastructure:					
Utility relocations	1,972,037	-	-	-	1,972,037
Dams, channels and other improvements	185,559,555	83,202	8,172,749	-	193,815,506
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	190,614,282	281,975	8,172,749	(112,460)	198,956,546
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	227,159,928	10,854,572	-	(112,460)	237,902,040

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE D - CHANGES IN CAPITAL ASSETS - CONTINUED

	June 30, 2012	Additions	Transfers	Sales or Other Dispositions	June 30, 2013
Less accumulated depreciation					
Furniture and fixtures	(92,432)	(8,125)	-	50,507	(50,050)
Maintenance tools and automotive equipment	(1,241,901)	(55,466)	-	33,460	(1,263,907)
Office and maintenance buildings	(444,502)	(33,837)	-	-	(478,339)
Infrastructure	(43,425,881)	(2,725,029)	-	-	(46,150,910)
	<u>(45,204,716)</u>	<u>(2,822,457)</u>	<u>-</u>	<u>83,967</u>	<u>(47,943,206)</u>
Total accumulated depreciation					
Capital assets, net of accumulated depreciation	<u>\$ 181,955,212</u>	<u>\$ 8,032,115</u>	<u>\$ -</u>	<u>\$ (28,493)</u>	<u>\$ 189,958,834</u>

	June 30, 2012	Additions	Sales or Other Dispositions	June 30, 2013
Summary of investments in capital assets				
Investment in office and maintenance buildings, furniture, fixtures and equipment	\$ 3,082,690	\$ 198,773	\$ (112,460)	\$ 3,169,003
Investment in land, dams, channels and improvements, utility relocations and construction in progress	204,866,978	10,655,799	-	215,522,777
Donated capital assets from Corps of Engineers	19,210,260	-	-	19,210,260
	<u>19,210,260</u>	<u>-</u>	<u>-</u>	<u>19,210,260</u>
Total	<u>\$ 227,159,928</u>	<u>\$ 10,854,572</u>	<u>\$ (112,460)</u>	<u>\$ 237,902,040</u>

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

Depreciation was charged as follows to these functions:

General government	\$ (97,428)
Flood control	<u>(2,725,029)</u>
Total depreciation	<u>\$ (2,822,457)</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE D - CHANGES IN CAPITAL ASSETS - CONTINUED

Construction in progress as of June 30, 2013, consisted of the following:

Project	June 30, 2012	Additions	Deletions	June 30, 2013
Southwest Valley Drainage				
Engineering	\$ 846,348	\$ 14,533	\$ (860,881)	\$ -
Construction	723,198	-	(723,198)	-
FEMA Lomrs				
Engineering	169,781	-	(169,781)	-
Avulsion Number 1				
Engineering	30,000	-	(30,000)	-
Boca Negra Dam Detention				
Land	200,000	-	-	200,000
Engineering	353,612	358,769	-	712,381
Construction	2,560	1,818,253	-	1,820,813
Don Felipe DMP				
Engineering	201,462	-	-	201,462
Raymac				
Engineering	164,176	-	-	164,176
McCoy/Johniece Channel				
Engineering	234,373	-	-	234,373
Construction	3,769	-	-	3,769
NDC Recon Study				
Engineering	245,687	22,653	-	268,340
SE Valley Drain SD DMP				
Land	-	1,811,500	-	1,811,500
Engineering	155,244	17,830	-	173,074
El Bordo				
Engineering	11,382	39	(11,421)	-
Construction	544,094	1,169	(545,263)	-
Garduno Road SD Improvements				
Construction	75,000	-	-	75,000
Sanchez Farm Tib SD FY2010				
Engineering	225,137	47,021	-	272,158
Construction	39,468	-	-	39,468

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE D - CHANGES IN CAPITAL ASSETS - CONTINUED

Project	June 30, 2012	Additions	Deletions	June 30, 2013
Black Mesa Phase 1a Engineering	548,140	215,096	-	763,236
SDC Storm H&H Study Engineering	81,214	-	-	81,214
La Presa (formerly Unser Diversion Dam) Engineering	512,358	(62,027)	(450,331)	-
Construction	599,946	1,366,283	(1,966,229)	-
Pino Dam E/A Plan Engineering	22,502	3,389	-	25,891
SDC Baffle Chute	-	16,908	(16,908)	-
Sunset Gardens/Five Points RW Improvements Construction	850,000	-	(850,000)	-
North Valley DMP Pond Engineering	31,588	-	(31,588)	-
Mid Valley Drainage Construction	250,000	-	-	250,000
Vista Del Rio 2011 Construction	1,106,733	-	(1,106,733)	-
SW Valley Flood Reduction Phase II Engineering	10,395	39,076	-	49,471
Construction	573	-	-	573
Isleta Blvd Reconstruction Phase II/Barcelona SD Construction	261,955	-	(261,955)	-
Sagebrush Dip Replacement Construction	353,609	-	-	353,609
Amole-Hubbell DMP Update Engineering	101,016	155,114	-	256,130
Calabacillas Grade Control Structures 3b, 3c Engineering	77,173	99,342	-	176,515
Construction	-	809,760	-	809,760

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE D - CHANGES IN CAPITAL ASSETS - CONTINUED

Project	June 30, 2012	Additions	Deletions	June 30, 2013
Misc AMAFCA projects 2013				
Engineering	38,881	36,176	(75,057)	-
Construction	140,509	130,039	(270,548)	-
Alameda Drain WQDMP				
Engineering	48	-	-	48
La Cueva Arroyo LOMR				
Engineering	498	21,290	(21,788)	-
Amole Dam Outfall / Navajo Storm Drain				
Construction	-	439,919	-	439,919
Ecosystem Preservation				
Engineering	-	29,343	-	29,343
Construction	-	125,721	-	125,721
Boca Negra EAP				
Engineering	-	138,767	-	138,767
Calabacillas West Branch DMP				
Engineering	-	83,993	-	83,993
Valle de Oro Drng & Sediment Control Outfall				
Engineering	-	30,000	-	30,000
Upper Piedras Marcadas Watershed				
Engineering	-	8,761	-	8,761
Chamisa Storm Drain				
Engineering	-	101,312	-	101,312
I-40 / Embudo Channel Improvements				
Engineering	-	434,445	(434,445)	-
Hahn Arroyo				
Engineering	-	55,257	(55,257)	-
Construction	-	(19,494)	19,494	-
Agency Area-wide				
Construction	-	100,000	-	100,000
No Project				
Non-capitalized expenditures	-	73,959	(73,959)	-
Misc Project				
Non-capitalized expenditures	-	236,901	(236,901)	-
Total construction in progress	<u>\$ 9,212,429</u>	<u>\$ 8,761,097</u>	<u>\$ (8,172,749)</u>	<u>\$ 9,800,777</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE D - CHANGES IN CAPITAL ASSETS - CONTINUED

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	\$ 8,172,749
Less noncapital projects, transfers or projects belonging to others	(3,768,705)
Add project contributions	<u>8,255,951</u>
 2013 project additions	 <u><u>\$ 12,659,995</u></u>

At June 30, 2013, the Authority has construction commitments totaling \$8,224,761 for projects under contracts. Additional project funding may become final based on Management's plans and outcomes for jointly funded projects.

NOTE E - GENERAL OBLIGATION BONDS PAYABLE

The change in general obligation bonds payable is as follows:

	June 30, 2012	Additions	Deletions	June 30, 2013	Due Within One Year
General obligation bonds payable	<u>\$ 37,375,000</u>	<u>\$ 10,000,000</u>	<u>\$ (7,775,000)</u>	<u>\$ 39,600,000</u>	<u>\$ 8,975,000</u>

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, 2013 was \$39,600,000. The resulting legal debt margin is \$40,400,000.

The following is the detail for each issue outstanding at June 30, 2013:

Series 2006

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

	Annual Requirements		
	Principal	Interest	Total
Year ended June 30,			
2014	<u>\$ 1,500,000</u>	<u>\$ 29,063</u>	<u>\$ 1,529,063</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE E - 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
2014	\$ 1,000,000	\$ 60,000	\$ 1,060,000
2015	1,000,000	20,000	1,020,000
	<u>\$ 2,000,000</u>	<u>\$ 80,000</u>	<u>\$ 2,080,000</u>

Series 2008

Original amount: \$9,750,000

Interest rate - 2.75% to 3.5%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 825,000	\$ 70,641	\$ 895,641
2015	825,000	43,313	868,313
2016	825,000	14,437	839,437
	<u>\$ 2,475,000</u>	<u>\$ 128,391</u>	<u>\$ 2,603,391</u>

Series 2009

Original amount: \$10,000,000

Interest rate - 2.0% to 2.75%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 1,100,000	\$ 103,000	\$ 1,203,000
2015	1,250,000	77,938	1,327,938
2016	1,250,000	49,813	1,299,813
2017	1,300,000	17,875	1,317,875
	<u>\$ 4,900,000</u>	<u>\$ 248,626</u>	<u>\$ 5,148,626</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE E - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

Series 2010

Original amount: \$10,000,000
Interest rate - 1.0% to 2.125%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 1,200,000	\$ 175,344	\$ 1,375,344
2015	1,400,000	149,344	1,549,344
2016	2,100,000	114,344	2,214,344
2017	2,250,000	70,844	2,320,844
2018	2,275,000	24,172	2,299,172
	<u>\$ 9,225,000</u>	<u>\$ 534,048</u>	<u>\$ 9,759,048</u>

Series 2011

Original amount: \$10,000,000
Interest rate - 1.0% to 2.125%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 1,150,000	\$ 185,000	\$ 1,335,000
2015	1,525,000	164,938	1,689,938
2016	1,500,000	131,000	1,631,000
2017	1,500,000	97,250	1,597,250
2018	1,900,000	62,250	1,962,250
2019	1,925,000	19,250	1,944,250
	<u>\$ 9,500,000</u>	<u>\$ 659,688</u>	<u>\$ 10,159,688</u>

Series 2012

Original amount: \$10,000,000
Interest rate - 1.0% to 2.125%

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 2,200,000	\$ 228,000	\$ 2,428,000
2015	1,200,000	144,000	1,344,000
2016	1,200,000	120,000	1,320,000
2017	1,200,000	96,000	1,296,000
2018	1,200,000	72,000	1,272,000
2019	1,500,000	45,000	1,545,000
2020	1,500,000	15,000	1,515,000
	<u>\$ 10,000,000</u>	<u>\$ 720,000</u>	<u>\$ 10,720,000</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE E - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

Total All Series

Year ended June 30,	Annual Requirements		
	Principal	Interest	Total
2014	\$ 8,975,000	\$ 851,048	\$ 9,826,048
2015	7,200,000	599,533	7,799,533
2016	6,875,000	429,594	7,304,594
2017	6,250,000	281,969	6,531,969
2018	5,375,000	158,422	5,533,422
2019	3,425,000	64,250	3,489,250
2020	1,500,000	15,000	1,515,000
	<u>\$ 39,600,000</u>	<u>\$ 2,399,816</u>	<u>\$ 41,999,816</u>

NOTE F - PUBLIC EMPLOYEES' RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 13.15% of the gross covered salary. The Authority pays 5.86% of the employee's portion for a total contribution of 19.01% by the Authority. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$232,728, \$239,728, and \$252,380, respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE G - 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 health care 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, 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 health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 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 post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle, N.E., Suite 104, Albuquerque, New Mexico 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 health care 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 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-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary. In the fiscal year ending June 30, 2014, the contribution rates for employees and employers will remain the same:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2014	2%	1%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE G - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - CONTINUED

Also, employees joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of 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, 2013, 2012, and 2011 were \$24,484, \$23,128, and \$22,199, respectively, which equal the required contributions for each year.

NOTE H - TRANSFERS

The following transfer occurred during the year. This transfer was used to provide an annual amount for building and yard projects and maintenance that may be necessary.

<u>Fund</u>	<u>To</u>	<u>Amount</u>
Major Fund: General Fund	Building & Yard Improvements	\$50,000

NOTE I - FUND BALANCES - DESIGNATED FOR PROJECT MODIFICATIONS

As of June 30, 2013, the Authority's Board has designated a total of \$3,900,000 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; the Ladera Dam Safety Modifications Project had \$500,000 designated; the North Diversion Channel Lining Rehab had \$1,000,000 designated; the North Diversion Channel Upper UNM CBC had \$250,000 designated; the Calabacillas Arroyo "Caliche Bend" Bank Protection had \$250,000; and the NDC Lower Section, north of Vineyard Inlet had \$500,000 designated and \$400,000 for emergency purposes.

NOTE J - 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, 2013:

Worker's Compensation

a.	Name of insurance agent	New Mexico Self-Insurers' Fund
b.	Policy Number	4020W
c.	Amount of coverage	Unlimited
d.	Expiration date	6/30/13
e.	Premium paid	\$1,673

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE J - RISK MANAGEMENT - CONTINUED

Property

a.	Name of insurance agent	New Mexico Self-Insurers' Fund
b.	Policy Number	4020P
c.	Amount of coverage	Scheduled Values
d.	Expiration date	6/30/13
e.	Premium paid	\$5,661

General Liability

a.	Name of insurance agent	New Mexico Self-Insurers' 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	6/30/13
e.	Premium paid	\$15,384

Auto Liability

a.	Name of insurance agent	New Mexico Self-Insurers' 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	6/30/13
e.	Premium paid	\$21,424

Director's Liability Coverage - separate bond

a.	Name of insurance agent	CNA Surety, P.O. Box 5176 Sioux Falls, SD 57117-5176
b.	Policy Number	Bond NO. 0601 68998232
c.	Amount of coverage	\$10,000 for each director
d.	Expiration date	6/30/13
e.	Premium paid	\$250

Civil Rights

a.	Name of insurance agent	New Mexico Self-Insurers' Fund
b.	Policy Number	4020L
c.	Amount of coverage	Tort limits (\$1,000,000)
d.	Expiration date	6/30/13
e.	Premium paid	\$5,523

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE J - RISK MANAGEMENT - CONTINUED

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 loss. The address of the New Mexico Self-Insurers' Fund is 1231 Paseo de Peralta, Santa Fe, New Mexico 87501.

At June 30, 2013, 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. Coverages for all policies reported here apply for the year ending June 30, 2014.

NOTE K - 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 August and deferred revenues on property taxes based on information provided by the Bernalillo County Treasurer's Office. An estimated receivable of \$1,164,660 at June 30, 2013 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 \$1,044,660.

Depreciation on capital assets is a second significant estimate. Depreciation totaled \$2,822,457 for the year ended June 30, 2013.

NOTE L - NEW ACCOUNTING STANDARDS

GASB 63

The Authority implemented Governmental Accounting Standards Board Statement No. 63 "Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position" (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term **net position** for reporting the residual of all elements in a statement of financial position. The Statement of Financial Position of the Authority at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE L - NEW ACCOUNTING STANDARDS - CONTINUED

GASB 65

Governmental Accounting Standard Board Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB 65) changes the classification of various financial statement balance sheet items including several more common type transactions from presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The Authority will implement this standard next year. Bond issuance costs will be treated differently for fiscal year 2014 under this standard.

GASB 68

Governmental Accounting Standard Board Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB 68) revises existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record a government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements for multiemployer cost sharing plan. The Authority is a participating member of the Public Employees Retirement Association (PERA), a multiemployer cost sharing plan. Information to implement this standard will be developed by PERA and the State of New Mexico. The implementation date for GASB 68 is fiscal year 2015. The current status of the unfunded liability for PERA is \$6.18 billion based on the most recently issued audited financial statement at June 30, 2012. Legislation was passed in the last year changing PERA's plan benefits design and contribution requirements to fully fund UAAL within 30 years.

SUPPLEMENTARY INFORMATION

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

**BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL – DEBT SERVICE FUND**

Year ended June 30, 2013

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amount Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 8,769,535	\$ 8,769,535	\$ 9,730,101	\$ 960,566
Less reappraisal fee	<u>(87,695)</u>	<u>(87,695)</u>	<u>(92,497)</u>	<u>(4,802)</u>
Net property taxes	8,681,840	8,681,840	9,637,604	955,764
Investment and other	<u>17,364</u>	<u>17,364</u>	<u>7,329</u>	<u>(10,035)</u>
Total revenues	8,699,204	8,699,204	9,644,933	945,729
Expenditures				
Debt service:				
Interest and fixed charges	1,008,673	1,008,673	888,673	120,000
Bond principal	<u>7,775,000</u>	<u>7,775,000</u>	<u>7,775,000</u>	<u>-</u>
Total expenditures	<u>8,783,673</u>	<u>8,783,673</u>	<u>8,663,673</u>	<u>120,000</u>
Net change in fund balance	<u>\$ (84,469)</u>	<u>\$ (84,469)</u>	981,260	<u>\$ 825,729</u>
Prior year cash balance required to balance budget	<u>\$ 84,469</u>	<u>\$ 84,469</u>		
Fund balance, beginning of year			<u>9,677,839</u>	
Fund balance, end of year			<u>\$ 10,659,099</u>	
Budgetary revenues			\$ 9,644,933	
Bond premium issuance			(406,974)	
Reappraisal fees classified as an expense under GAAP			92,497	
Change in property tax receivable			113,251	
Change in deferred revenues			<u>(41,683)</u>	
GAAP revenues			<u>\$ 9,402,024</u>	
Budgetary expenses			\$ 8,663,673	
Reappraisal fees classified as an expense under GAAP			<u>92,497</u>	
GAAP expenses			<u>\$ 8,756,170</u>	

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

**BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL – CAPITAL PROJECTS FUND**

Year ended June 30, 2013

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Investment	\$ 15,592	\$ 15,592	\$ 15,814	\$ 222
Revenue from jointly funded projects	2,586,052	2,586,052	285,272	(2,300,780)
Sale of surplus property	-	-	9,233	9,233
Total revenues	2,601,644	2,601,644	310,319	(2,291,325)
Expenditures				
Capital outlay and noncapitalizable construction costs **	22,684,000	22,684,000	8,862,166	13,821,834
Bond issuance costs	160,000	160,000	82,746	77,254
Total expenditures	22,844,000	22,844,000	8,944,912	13,899,088
Deficiency of revenues over expenditures before other financing uses	(20,242,356)	(20,242,356)	(8,634,593)	(16,190,413)
Other financing sources and uses				
Transfers to other funds	-	-	-	-
Proceeds from bond sale	22,500,000	22,500,000	10,000,000	(12,500,000)
Total other financing sources and uses	22,500,000	22,500,000	10,000,000	(12,500,000)
Net change in fund balance	\$ 2,257,644	\$ 2,257,644	1,365,407	\$ (28,690,413)
Prior year cash balance required to balance budget	\$ -	\$ -		
Fund balance, beginning of year			6,899,216	
Fund balance, end of year			\$ 8,264,623	
Budgetary revenues			\$ 310,319	
Change in accounts receivable			(25,000)	
GAAP revenues			\$ 285,319	
Budgetary expenses			\$ 8,944,912	
Change in accounts payable			(101,069)	
GAAP expenses			\$ 8,843,843	

** This line item includes the total budgeted costs for all the Authority's capital projects. These projects are generally completed over multiple fiscal years. In addition, projects included in the current year budget may not incur costs until subsequent fiscal years.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

**BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL – BUILDING IMPROVEMENT FUND**

Year ended June 30, 2013

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Interest income	\$ 1,000	\$ 1,000	\$ 122	\$ (878)
Total revenues	1,000	1,000	122	(878)
Expenditures				
Office improvements	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures before other financing sources and uses	1,000	1,000	122	(878)
Other financing sources and uses				
Transfers to other funds	-	-	-	-
Transfers from other funds	50,000	50,000	50,000	-
Total other financing sources and uses	50,000	50,000	50,000	-
Net change in fund balance	\$ 51,000	\$ 51,000	50,122	\$ (878)
Prior year cash balance required to balance budget	\$ -	\$ -		
Fund balance, beginning of year			58,611	
Fund balance, end of year			\$ 108,733	

ADDITIONAL INFORMATION – SUPPLEMENTAL SCHEDULES

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

AGENCY FUNDS

June 30, 2013

Agency funds are used to account for assets held by the Authority as an agent for other governments and/or other funds. 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 result of operations.

Ditch and Water Safety Task Force Fund – This fund is used to promote water and ditch safety among children and is financed by contributions from several agencies.

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.

Area Wide Agency Fund – This is used to account for the pooling of funds by various entities when a single construction contract is bid/awarded to complete multiple small projects and the work performed is for the benefit and paid for by each entity.

Flood Fighting Workshop Fund – This is used to promote the Flood Fighting Workshop and is financed by contributions from several agencies.

Boca Negra Dam – This is used for the Boca Negra project which began in fiscal year 2013.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

SCHEDULE OF ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2013

ASSETS

	Ditch & Water Safety Task Force Fund	Storm Water Quality Coordinator	Area Wide Agency	Boca Negra Dam	Total Agency Funds
Cash in bank	\$ 51,635	\$ 108,244	\$ 185,435	\$ 1,730	\$ 347,044
Savings	-	-	-	34,788	34,788
Investments	-	-	719,447	2,686,901	3,406,348
Total assets	<u>\$ 51,635</u>	<u>\$ 108,244</u>	<u>\$ 904,882</u>	<u>\$ 2,723,419</u>	<u>\$ 3,788,180</u>

LIABILITIES

Funds held for others	<u>\$ 51,635</u>	<u>\$ 108,244</u>	<u>\$ 904,882</u>	<u>\$ 2,723,419</u>	<u>\$ 3,788,180</u>
Total liabilities	<u>\$ 51,635</u>	<u>\$ 108,244</u>	<u>\$ 904,882</u>	<u>\$ 2,723,419</u>	<u>\$ 3,788,180</u>

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS

June 30, 2013

	June 30, 2012	Additions	Deletions	June 30, 2013
Ditch and Water Safety Task Force Fund				
Assets				
Cash in bank	\$ 32,229	\$ 87,148	\$ 98,683	\$ 20,694
Savings	-	74,855	74,751	104
Swim pass savings	-	44,410	13,573	30,837
Total assets	\$ 32,229	\$ 206,413	\$ 187,007	\$ 51,635
Liabilities				
Deposits held for others	\$ 32,229	\$ 206,413	\$ 187,007	\$ 51,635
Total liabilities	\$ 32,229	\$ 206,413	\$ 187,007	\$ 51,635
Storm Water Quality Coordinator				
Assets				
Cash in bank	\$ 87,004	\$ 94,000	\$ 72,760	\$ 108,244
Total assets	\$ 87,004	\$ 94,000	\$ 72,760	\$ 108,244
Liabilities				
Deposits held for others	\$ 87,004	\$ 94,000	\$ 72,760	\$ 108,244
Total liabilities	\$ 87,004	\$ 94,000	\$ 72,760	\$ 108,244
Area Wide Agency				
Assets				
Cash in bank	\$ 3,276	\$ 2,137,446	\$ 1,955,287	\$ 185,435
Investments	1,021,126	801,321	1,103,000	719,447
Total assets	\$ 1,024,402	\$ 2,938,767	\$ 3,058,287	\$ 904,882
Liabilities				
Deposits held for others	\$ 1,024,402	\$ 2,938,767	\$ 3,058,287	\$ 904,882
Total liabilities	\$ 1,024,402	\$ 2,938,767	\$ 3,058,287	\$ 904,882
Boca Negra Dam				
Assets				
Cash in bank	\$ -	\$ 5,220,013	\$ 5,218,283	\$ 1,730
Savings	-	34,788	-	34,788
Investments	-	3,646,901	960,000	2,686,901
Total assets	\$ -	\$ 8,901,702	\$ 6,178,283	\$ 2,723,419
Liabilities				
Deposits held for others	\$ -	\$ 8,901,702	\$ 6,178,283	\$ 2,723,419
Total liabilities	\$ -	\$ 8,901,702	\$ 6,178,283	\$ 2,723,419
All Agency Funds				
Assets				
Cash in bank and savings	\$ 122,509	\$ 7,692,660	\$ 7,433,337	\$ 381,832
Investments	1,021,126	4,448,222	2,063,000	3,406,348
Total assets	\$ 1,143,635	\$ 12,140,882	\$ 9,496,337	\$ 3,788,180
Liabilities				
Deposits held for others	\$ 1,143,635	\$ 12,140,882	\$ 9,496,337	\$ 3,788,180
Total liabilities	\$ 1,143,635	\$ 12,140,882	\$ 9,496,337	\$ 3,788,180

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2013

Wells Fargo Bank, Albuquerque, NM - Demand Deposit Accounts:

Depository balances as of June 30, 2013

Checking

General checking account	\$ 444,368
Debt service account	971
AMAFCA unassigned account	28,651
Storm Quality Education	108,244
Area Wide Maintenance	185,434
Boca Negra Dam	1,730
Boca Negra Dam Savings	34,788
Ditch & Water Safety Task Force Fund	<u>104</u>

804,290

Savings

Ditch & Water Safety Task Force Swim Pass	30,837
Ditch & Water Safety Task Force Fund Reserve	<u>20,695</u>

Total depository balances 855,822

Less FDIC insurance coverage (250,000)

Uninsured balance \$ 605,822

Collateralization required (50%) \$ 302,911

Fannie Mae, Interest Only Securities at face value which approximates fair value

par \$498,431; interest rate 3.50%; maturity date 4/1/2043 CUSIP #3138EK3P8	\$ 508,317
par \$1,730,000; interest rate 3.00%; maturity date 6/1/2043 CUSIP #3138WTRR9	1,696,813
par \$368,715; interest rate 3.00%; maturity date 9/1/2042 CUSIP #31417DAK9	<u>361,654</u>

Total collateral \$ 2,566,784

Collateralization in deficit of requirement \$ -



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Albuquerque Metropolitan Arroyo Flood Control Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund of the Albuquerque Metropolitan Arroyo Flood Control Authority (the Authority) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the debt service fund, the capital projects fund and building improvement fund, presented as supplementary information and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as 13-01 and 13-02.

Compliance and Other Matters

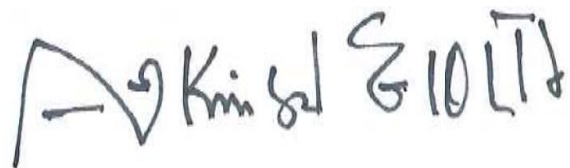
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

A handwritten signature in blue ink, appearing to read "Atkinson & Co. Ltd.", with a stylized logo to the left consisting of a large 'A' with a checkmark-like shape inside.

Atkinson & Co. Ltd.

Albuquerque, New Mexico
November 4, 2013

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2013

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? No

Significant deficiencies identified not considered
to be material weaknesses? Yes

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

CURRENT YEAR FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

13-01 Segregation of Duties - Outgoing Wire Cash Disbursement Approval
(Significant Deficiency)

13-02 Segregation of Duties - Journal Voucher Approval (Significant Deficiency)

STATUS OF PRIOR YEAR FINDINGS

12-01 Duplicate Payment of an Invoice (Significant Deficiency) - Resolved

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2013

CURRENT YEAR FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

**13-01 SEGREGATION OF DUTIES - OUTGOING WIRE CASH DISBURSEMENT
APPROVAL (SIGNIFICANT DEFICIENCY)**

Condition

During our review of internal control, we noted the Finance and Administration Manager was able to send bank electronic outgoing wire transfers without electronic approval.

Criteria

Segregation of duties and proper approvals are an important element of strong internal control. These control activities are incorporated into the COSO Framework and Model Accounting Practices for the State of New Mexico.

Effect

The Finance Manager had the ability to disburse cash via wire transfer without prior electronic approval. Errors or misappropriation could occur for a period of time without detection.

Cause

There was no established internal control for senior management to approve outgoing wire transfers in advance of transmittal. The existing policy establishes review and approval of all outgoing wires after they occur.

Recommendation

We recommend management implement an internal control that a member of senior management review and approve all wire transfers outgoing prior to transmission, including incorporating two signatory approvals with its bank.

Views from Responsible Officials and Management's Planned Corrective Actions

Management has already implemented an internal control to review and approve all wire transfers out by establishing two approvals via electronic tokens, which generate random numbers for each authorization and which is required by the bank before outgoing wires can be transmitted.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2013

CURRENT YEAR FINDINGS – CONTINUED

Financial Statement Findings Required by *Government Auditing Standards* - Continued

**13-02 SEGREGATION OF DUTIES - JOURNAL VOUCHER APPROVAL
(SIGNIFICANT DEFICIENCY)**

Condition

During our testwork, we noted management's existing internal control policies require the Executive Engineer to approve all adjusting journal entries prior to posting by the Finance and Administration Manager. Based on the Authority's procedures, adjusting journal entries should be approved before posting. Upon our further observation, for correcting adjusting journal entries (account coding), there is no approval required.

Criteria

Proper approvals regarding adjusting journal entries is an important element of strong internal control. This control activity is incorporated into the COSO Framework and Model Accounting Practices for the State of New Mexico.

Effect

The Finance Manager has the ability to post journal vouchers without prior approval.

Cause

The Finance Manager could post correcting journal vouchers to the general ledger without prior review or approval.

Recommendation

We recommend management implement an internal control that a member of senior management review and approve journal vouchers prior to posting into the general ledger.

Views from Responsible Officials and Management's Planned Corrective Actions

Management recognizes the importance of prior approval and has taken corrective action.

State of New Mexico
Albuquerque Metropolitan Arroyo Flood Control Authority

EXIT CONFERENCE

June 30, 2013

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Authority's management. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

* * * * *

An exit conference was held on November 4, 2013, and attended by the following:

For Albuquerque Metropolitan Arroyo Flood Control Authority:

Board Members

Tim Eichenberg
Bruce M. Thomson

Chairman
Secretary – Treasurer

Administrative Staff

Jerry M. Lovato, P.E.
Irene B. Jeffries

Executive Engineer
Finance & Administration Manager

For Atkinson & Co., Ltd.:

Martin Mathisen, CPA, CGFM
Clarke Cagle, CPA, CCIFP, CGFM

Shareholder/Audit Director
Audit Director

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM

