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**CHESTER W. MATTOCKS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY**  
**ARROYO FLOOD CONTROL AUTHORITY**

**ANNUAL FINANCIAL REPORT AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY ARROYO  
FLOOD CONTROL AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2008**

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**STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY ARROYO  
FLOOD CONTROL AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2008**

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**STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY ARROYO  
FLOOD CONTROL AUTHORITY**

**OFFICIAL ROSTER**

**As Of  
June 30, 2008**

**Board Members**

John Chaney  
Mark Conkling  
Steven M. House  
Donald Rudy  
William C. (Dub) Yarbrough

Chairman  
Chair Pro Tem  
Secretary  
Treasurer  
Director

**Administrative Staff**

David Stoliker, PE  
Perry Baird  
Debbie Casaus, CPA

Executive Engineer  
Fiscal Services Director  
Accounting Officer



**CHESTER W. MATTOCKS**  
**CERTIFIED PUBLIC ACCOUNTANT**

P.O. Box 25941  
Albuquerque, New Mexico 87125  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Southern Sandoval County Arroyo Flood Control Authority  
Rio Rancho, New Mexico

and

Mr. Hector H. Balderas  
State Auditor  
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparison of the General Fund, and the aggregate remaining fund information of the Southern Sandoval County Arroyo Flood Control Authority (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the Table of Contents. I have also audited the individual fund financial statements of the Authority as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements and the individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparison of the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in my opinion, the individual fund financial statements referred to in the first paragraph present fairly, in all material respects, the respective budgetary comparisons of the Debt Service Fund and the Capital Projects Fund of the Authority as of June 30, 2008, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 21, 2008, on my consideration of the Authority's internal control over financial reporting and on my 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 my 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 my audit.

The management's discussion and analysis on pages four through seven are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements and on the individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature of Chester W. Matthews, CPA in black ink.

November 21, 2008

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

The Southern Sandoval County Arroyo Flood Control Authority (the "Authority" or "SSCAFCA") management discussion and analysis includes: (i) an explanation of the Authority's basic financial statements, including the relationships of the statements to one another and the significant differences in the information they provide; (ii) an analysis of the overall financial position of the Authority including current year results of operations in comparison with the previous year; (iii) a discussion of the capital assets of the Authority including significant additions to capital assets and any related debt activity; (iv) an analysis of significant variations between budgeted and actual amounts of revenues and expenditures; and (v) a discussion of the Authority's plans for future activities/projects which may have a significant impact on its financial position.

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 methods similar to those used by private-sector companies and consist of the statement of net assets and the statement of activities. Fund financial statements consist of a balance sheet, a statement of revenues, expenditures and changes in fund balance, and a budgetary comparison schedule for each of the funds used by the Authority: general, debt service and capital projects fund. See Notes to Financial Statements, No. 2-Summary of Significant Accounting Policies for a more detailed discussion of the two types of financial statements of the Authority.

Financial Position and Current Year Results of Operations

Financial information in condensed form comparing fiscal year ending June 30, 2008 (FY08) with fiscal year ending June 30, 2007 (FY07) appears in the tables below:

**Comparative Statements of Net Assets (\$000)**

	<u>FY08</u>	<u>FY07</u>	<u>Incr/(decr) 08 over 07</u>
Assets			
Current Assets	\$ 9,126	\$7,134	\$1,992
Capital Assets	52,473	43,708	8,765
Other Assets	116	78	38
Total Assets	<u>61,715</u>	<u>50,920</u>	<u>10,795</u>



Liabilities			
Current Liabilities	1,527	1,817	(290)
Noncurrent Liabilities	18,926	13,678	5,248
Total Liabilities	20,926	15,495	4,958
Net Assets			
Investment in capital assets net of related debt	32,833	29,348	3,485
Restricted for:			
Debt Service	1,555	1,032	523
Capital Projects	5,517	3,979	1,538
Unrestricted	1,357	1,066	291
Total Net Assets	\$ 41,262	\$ 35,425	\$5,837

#### Comparative Statement of Activities (\$000)

Expenses:			
Governmental Activities			
General Government	\$ (1,660)	\$ (2,166)	(506)
Capital outlay-noncapitalized	(1,938)	(1,254)	684
Interest expense	(714)	(500)	214
Total expenses	(4,312)	(3,920)	392
Program Revenue			
Operating grants	-0-	452	(452)
Non-cash capital contributions	-0-	295	(295)
Total Program Revenue	-0-	747	(747)
General Revenue			
Property taxes	3,330	2,481	849
Investment	301	301	-0-
Net gains on disposition of property & other	859	187	672
Non-cash capital contributions	4,727	-0-	4,727
Grants not specifically related to program	932	-0-	932
Total General Revenue	10,149	2,969	7,180
Total revenue	10,149	3,716	6,433
Change in Net Assets	5,837	(204)	6,041
Net Assets-beginning of year	35,425	35,629	(204)
Net Assets-end of year	\$ 41,262	\$ 35,425	\$ 5,837

The financial position of the Authority has improved significantly in FY08. This can be seen in the increase in total net assets of approximately \$6.0 million. The increase in current assets of \$1.9 million is due to a

higher cash and investments balance resulting from unspent bond proceeds as of the end of the fiscal year. Capital assets increased by \$8.8 million which consists of purchased right-of-way, completed capital projects and non-cash capital contributions in the form of easements and fee simple right-of-way, as discussed in detail below. Total liabilities of the Authority increased by \$4.8 million, which is primarily due to the issuance of the Series 2007A Bonds in October, 2007.

Property tax revenue in the General Fund increased by approximately \$180,000 in FY08 over FY07. The operational tax rate for FY08 was set at 0.624 mills, a decrease of 0.137 mills over FY07. This decrease is the result of the application of the yield control provisions of State law which serve to limit the growth of tax revenue to agencies due to the reassessment of taxable values of property. The total assessed value of property with the boundaries of SSCAFCA grew by 46.7% in FY08. This growth resulted from both new construction (15.3%) and re-assessment activities of the Sandoval County Assessor (31.4%). The total assessed value of taxable property within the boundaries of the Authority has increased an average of 13% each year over the past ten years and at an average annual rate of 15.8% over the past five years. It is expected that a growth rate in the range of 8-12% will continue in the near term.

The end of year fund balance in the General Fund increased by approximately \$315,000 in FY08 over FY07. The increase is due in part to property tax revenue receipts larger than estimated as discussed above, and to lower expenditures than budgeted amounts in some line items, as discussed below.

The end of year fund balance in the Debt Service Fund increased by approximately \$600,000 in FY08 over FY07 due to the 46.7% increase in the total assessed valuation and no offsetting decrease in the tax rate. This fund balance will be drawn down by the structuring of bond repayment schedules of future G.O. bond issues.

The end of year fund balance in the Capital Projects Fund was approximately \$5.5 million for FY08 vs. \$4.0 million for FY07, an increase of approximately \$1.5 million. This higher fund balance has resulted from the issuance of the Series 2007A Bonds much earlier than originally planned.

#### Capital Assets and Long-Term Debt

Capital assets of the Authority as of 6/30/08 include \$19.8 million in non-depreciable land and easements. The increase of \$3.8 million over FY07 represents non-cash contributions from developers in the amount of \$1.7 million and purchased right-of-way in the amount of \$2.1 million. The contributions are comprised of easements and fee simple right-of-way primarily in arroyo bottoms, made in connection with agreements with developers whereby the Authority assumes responsibility for operation and maintenance of flood control facilities constructed by the developers. In addition to non-cash contributions, approximately 18 acres of right-of-way were purchased at a cost of \$2.1 million.

Other capital assets as of the end of FY08 include infrastructure facilities which have an estimated useful life of 70 years and a value of \$30.9 million, net of accumulated depreciation. Additions to capital assets in FY08 include the Sportsplex Dam valued at \$5.8 million (constructed by SSCAFCA) and Santiago Subdivision drainage improvements valued at \$2.4 million (constructed by the developer). Construction in progress on future infrastructure facilities amounts to \$746,000 as of 6/30/08. The remainder of the Authority's capital assets as of 6/30/08 are comprised of its office building valued at \$958,000; three vehicles and furniture and equipment at \$133,000, all net of accumulated depreciation.

SSCAFCA has \$19,640,000 outstanding in general obligation bonds as of 6/30/08 versus \$14,360,000 at 6/30/07. The increase is attributed to the issuance of \$6,000,000 Series 2007A G.O. Bonds in October 2007. The decision to issue the Series 2007A Bonds in October 2007, which is approximately one year ahead of schedule, was due to the unexpected increase in bonding capacity because of the 46.7% increase in total

assessed valuation of property with the boundaries of the Authority and the need to continue to provide funds for drainage improvement projects identified by the Board of Directors.

Total bonded debt is made up of seven series of general obligation bonds (Series 1998, 1999, 2001, 2005, 2005A, 2007, and 2007A) which are scheduled to be retired over the next 13 years. The total proceeds of these seven series of bonds amounts to \$23,000,000, which has been, or will be, spent on the acquisition and/or design and construction of flood control system capital projects.

Moody's Investors Service has assigned a credit rating of Aa3 to all of the Authority's outstanding general obligation debt. According to the Moody's report dated 9/26/07: "Factors contributing to the rating upgrade include a large tax base that has experienced 117% growth over the last five years; solid reserves supported by conservative financial management, which Moody's anticipates will continue in the future; and a low debt position with a fast payout."

#### Budgetary Performance

Total general fund expenditures in FY08 were \$590,600 less than total appropriations. Various factors contributed to the budget surplus including the delay in filling the new financial services position and the new engineering services position. These delays in hiring created significant salary savings. Savings were achieved in other line items such as operations and maintenance because of the Authority's focus on disaster cleanup from the floods of 2006 rather than the usual O&M work. This ongoing disaster cleanup program was accomplished by engineering services and public works contracts using capital project funds with reimbursements received from the Federal Emergency Management Administration (FEMA). Future reimbursements are still expected to be received in FY2009. Also, extended right-of-way negotiations resulted in delays in acquisitions, resulting in budgetary savings in that line item.

Total debt service fund expenditures in FY08 were \$72,000 less than total appropriations. This budgetary savings was achieved because the repayment schedule for the Authority's Series 2007A Bonds did not include an interest payment in FY08 as had been assumed.

#### Plans for Future Activities

The Board of Directors approved a general obligation bond question to be on the ballot for the general election which was held on November 4, 2008. The bond question for \$18 million in G.O. Bonds was approved by the voters and plans are proceeding to issue a portion of those bonds in early 2009.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2008**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash	\$ 81,957
Investments	8,249,009
Property taxes receivable	252,302
Interest receivable	15,216
Grants receivable	510,857
Prepaid insurance	16,914
Total current assets	<u>9,126,255</u>
Capital assets:	
Capital assets - not being depreciated	20,498,887
Capital assets - being depreciated, net of accumulated depreciation of \$5,666,569	<u>31,973,651</u>
Total capital assets	<u>52,472,538</u>
Other assets:	
Bond issuance costs, less accumulated amortization of \$11,214	<u>115,865</u>
Total other assets	<u>115,865</u>
Total assets	<u>61,714,658</u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	227,431
Accrued payroll and taxes	29,794
Compensated absences payable, current portion	33,676
Bonds payable – current portion	850,000
Accrued interest payable	<u>385,839</u>
Total current liabilities	<u>1,526,740</u>
Noncurrent liabilities:	
Compensated absences payable – expected to be paid after one year	107,093
Bonds payable, net of current portion	18,790,000
Bond premium, less accumulated amortization of \$1,849	<u>29,033</u>
Total noncurrent liabilities	<u>18,926,126</u>
Total liabilities	<u>20,452,866</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	32,832,538
Restricted for:	
Debt service	1,555,068
Capital projects	5,516,687
Unrestricted	<u>1,357,499</u>
Total net assets	<u>\$ 41,261,792</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Expenses	Program-specific Revenues <u>Operating Grants</u>	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental activities:</b>			
General government	\$ (1,660,163)	\$ -0-	\$ (1,660,163)
Capital outlay -- noncapitalized	(1,938,052)	-0-	(1,938,052)
Interest on long-term debt	(714,135)	-0-	(714,135)
Total governmental activities	<u>\$ (4,312,350)</u>	<u>\$ -0-</u>	<u>(4,312,350)</u>
<b>General revenues:</b>			
Property taxes			3,330,265
Investment			301,157
Non - cash capital contributions			4,726,716
Grants not specifically related to program			932,469
Other			<u>858,450</u>
Total general revenues			<u>10,149,057</u>
Change in net assets			5,836,707
Net assets -- beginning of year			<u>35,425,085</u>
Net assets -- end of year			<u>\$ 41,261,792</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Petty cash	\$ 200	\$ -0-	\$ -0-	\$ 200
Cash in bank	81,757	-0-	-0-	81,757
Investments	1,266,385	1,794,324	5,188,300	8,249,009
Property taxes receivable	108,331	143,971	-0-	252,302
Interest receivable	1,812	2,612	10,792	15,216
Grants receivable	-0-	-0-	510,857	510,857
Prepaid insurance	16,914	-0-	-0-	16,914
Total assets	<u>\$ 1,475,399</u>	<u>\$ 1,940,907</u>	<u>\$ 5,709,949</u>	<u>\$ 9,126,255</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 34,169	\$ -0-	\$ 193,262	\$ 227,431
Accrued payroll and taxes	29,794	-0-	-0-	29,794
Deferred revenue	95,347	126,680	-0-	222,027
Total liabilities	<u>159,310</u>	<u>126,680</u>	<u>193,262</u>	<u>479,252</u>
Fund balances:				
Reserved for petty cash	200	-0-	-0-	200
Reserved for debt service	-0-	1,814,227	-0-	1,814,227
Reserved for construction Projects	-0-	-0-	5,516,687	5,516,687
Total reserved fund balances	<u>200</u>	<u>1,814,227</u>	<u>5,516,687</u>	<u>7,331,114</u>
Unreserved:				
Designated:				
Subsequent year's expenditures	765,889	-0-	-0-	765,889
General budget reserve	139,185	-0-	-0-	139,185
General reserve	410,815	-0-	-0-	410,815
Total unreserved fund balances	<u>1,315,889</u>	<u>-0-</u>	<u>-0-</u>	<u>1,315,889</u>
Total fund balances	<u>1,316,089</u>	<u>1,814,227</u>	<u>5,516,687</u>	<u>8,647,003</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,475,399</u>	<u>\$ 1,940,907</u>	<u>\$ 5,709,949</u>	<u>\$ 9,126,255</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2008**

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Total fund balances – Governmental Funds (balance Sheet – Governmental Funds)	\$	8,647,003
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2008 because:		
Delinquent property taxes receivable net of allowance for doubtful accounts and the deferred revenue in the Capital Projects Fund are not considered available financial resources and therefore are reported as deferred revenue in the fund financial statements		222,027
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:		
Total capital assets, net of related debt	\$	38,499,107
Less accumulated depreciation		<u>(5,666,569)</u>
Total capital assets, net of related debt and of depreciation		32,832,538
Some liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Compensated absences payable		(140,769)
Accrued interest payable		(385,839)
Bond issuance costs are expensed in period expended for fund Financial statements but capitalized for governmental activities		
Total bond issuance costs	\$	127,079
Less accumulated amortization		<u>(11,214)</u>
		115,865
Bond premium costs are amortized for governmental activities But are a current other financing source in fund financial Statements		
Total bond premium	\$	(30,882)
Less accumulated amortization		<u>1,849</u>
		(29,033)
Net assets of governmental activities (Statement of Net Assets)	\$	<u>41,261,792</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,362,352	\$ 1,854,661	\$ -0-	\$ 3,217,013
Investment	31,800	25,309	242,307	299,416
Grants	-0-	-0-	932,469	932,469
Non-cash capital contributions	-0-	-0-	4,726,716	4,726,716
Other	300	-0-	858,150	858,450
Total revenues	<u>1,394,452</u>	<u>1,879,970</u>	<u>6,759,642</u>	<u>10,034,064</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,062,385	-0-	2,295	1,064,680
Capital outlay	17,228	-0-	11,176,266	11,193,494
Debt service:				
Interest and fixed charges	-0-	569,810	-0-	569,810
Bond principal retirement	-0-	720,000	-0-	720,000
Bond issuance costs	-0-	-0-	43,611	43,611
Total expenditures	<u>1,079,613</u>	<u>1,289,810</u>	<u>11,222,172</u>	<u>13,591,595</u>
Excess (deficiency) of revenues over expenditures	<u>314,839</u>	<u>590,160</u>	<u>(4,462,530)</u>	<u>(3,557,531)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Face amount from bond sales	-0-	-0-	6,000,000	6,000,000
Bond premium	-0-	7,341	-0-	7,341
Total other financing sources (uses)	<u>-0-</u>	<u>7,341</u>	<u>6,000,000</u>	<u>6,007,341</u>
Net change in fund balances	314,839	597,501	1,537,470	2,449,810
Fund balances – beginning	<u>1,001,250</u>	<u>1,216,726</u>	<u>3,979,217</u>	<u>6,197,193</u>
Fund balances – ending	<u>\$ 1,316,089</u>	<u>\$ 1,814,227</u>	<u>\$ 5,516,687</u>	<u>\$ 8,647,003</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY 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  
 FOR THE YEAR ENDED JUNE 30, 2008**

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Net change in fund balances (Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds)	\$ 2,449,810
Amounts reported for governmental activities in the Statement of Activities are different for the year ended June 30, 2008 because:	
In the governmental funds, payments of long-term debt are reported as expenditures.	720,000
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities -- current year amortization	(6,062)
Bond premium is not amortized for fund financial statement purposes but is for governmental activities -- current year amortization	1,741
Issuance of bonds are recorded as an other financing source in the fund financial statements but is not reported in the Statement of Activities.	(6,000,000)
Current year bond premium received is reported as an other financing source in the fund financial statements but is capitalized in the Statement of Net Assets	(7,341)
Current year bond issuance costs are reported as an expense in the fund financial statements but are capitalized in the Statement of Net Assets	43,611
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 (increases) decreases in the liabilities for the year were:	
Compensated absences payable	(99,014)
Accrued interest payable	(144,325)
Delinquent property taxes receivable are not available financial resources and therefore are reported as deferred revenues in the fund financial statements.	
The increase (decrease) in deferred revenue for the year was:	113,252
The governmental funds reports capital outlays as expenditures. However, in the Statement of Net Assets, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, these amounts were:	
Capital outlay expenditures which were capitalized.	\$ 9,255,442
Depreciation	<u>(490,407)</u>
Excess of capital outlay over depreciation	<u>8,765,035</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ 5,836,707</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,169,243	\$ 1,169,243	\$ 1,365,313	\$ 196,070
Investment	25,000	25,000	32,974	7,974
Other	-0-	-0-	300	300
Total revenues	<u>1,194,243</u>	<u>1,194,243</u>	<u>1,398,587</u>	<u>204,344</u>
<b>EXPENDITURES:</b>				
Current:				
Salary and related payroll costs	763,629	763,629	578,466	185,163
Contractual services	162,000	162,000	178,147	(16,147)
Other costs	<u>744,589</u>	<u>744,589</u>	<u>319,807</u>	<u>424,782</u>
Total expenditures	<u>1,670,218</u>	<u>1,670,218</u>	<u>1,076,420</u>	<u>593,798</u>
Net change in fund balance	(475,975)	(475,975)	<u>\$ 322,167</u>	<u>\$ 798,142</u>
Prior year cash balance required to balance budget	<u>\$ 475,975</u>	<u>475,975</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2008**

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

**A. Function and Definition of Entity**

The Southern Sandoval County Arroyo Flood Control Authority (Authority) was created by the Arroyo Flood Control Act and is governed by such New Mexico law created there which is designated as 72-19-1 to 72-19-103 NMSA 1978. The purpose of the Act is to provide a flood control system for the benefit of property within the boundaries of the Authority within Southern Sandoval County, New Mexico. The Act provides for organization and the governing body and officers; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes relations with other government bodies and agencies. The Authority is a political subdivision of the State of New Mexico and a body corporate and politic, as well as a quasi-municipal corporation.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the entity's financial statements to be misleading or incomplete.

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 it's unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

There were no component units of the Southern Sandoval County Arroyo Flood Control Authority during the year ended June 30, 2008.

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

pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

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

**B. Basic Financial Statements - GASB Statement #34**

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

Pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are applicable to any business-type activity of the Authority. However, the Authority has no business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function. Only revenues such as noncash contributions, operating grants, or from jointly funded projects are considered program revenues. The Authority includes one function: general government.

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

This 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 contributed revenue, and it is considered to be program specific grants and contributions. None were received during the fiscal year ended June 30, 2008.

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 governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund, the Debt Service Fund and the Capital Projects Fund have been classified as major funds. There were no nonmajor funds.

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

Internal activity between the various funds is eliminated in the government-wide financial statements. There were no interfund receivables or payables at June 30, 2008, which needed to be eliminated, and there was no internal activity during the year ended June 30, 2008 which needed to be eliminated.

### **C. Basis of Presentation**

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

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

#### **Governmental Fund Types**

The focus of Governmental Fund measurement (in the fund Financial Statements) is based upon determination of financial position and changes in 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.

##### **Capital Projects Fund**

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

## Non-Current Governmental Assets/Liabilities

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

### **D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. Property taxes are recognized when levied net of estimated refund and uncollectible accounts.

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 Statement 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 thirty days after year end as the period in which they have to be received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

### **E. Budgetary Accounting**

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

**F. Compensated Absences**

Qualified employees are entitled to accumulate amounts of annual leave which is payable to the employee upon termination or retirement. Annual leave accrues at the rate of eighty hours per year. Employees with over five years of service accrue annual leave at the rate of one hundred twenty hours per year. Employees with over ten years of service accrue annual leave at the rate of one hundred sixty hours per year. Employees with over fifteen years of service accrue annual leave at the rate of two hundred hours per year. The maximum accrual of annual leave is 280 hours.

Qualified employees are entitled to accumulate sick leave which is payable to the employee upon retirement. Sick leave accrues at the rate of one hundred four hours per year. Sick leave hours in excess of 1200 hours may be converted to annual leave hours at the rate of two for one. Employees may convert all or a portion of accumulated sick leave to early retirement leave immediately prior to retirement. The balance of accumulated sick leave may be converted to a cash payment at retirement.

Compensated absences payables of \$140,769 have been recorded in the government-wide financial statements. Of the \$140,769, \$33,676 is considered to be the current portion while \$107,093 is considered to be the long-term portion which is expected to be paid after one year. Two employees have announced their intention to retire within the next two years. Accordingly, the sick leave for these employees has been added to compensated absences.

The compensated absence payable has been valued using the pay levels in effect at June 30, 2008. The General Fund is the only fund which has been and which will be used to liquidate compensated absences liabilities.

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 41,755	\$ 122,019	\$ (23,005)	\$ 140,769	\$ 33,676

**G. Capital Assets**

Property, plant and equipment purchased or acquired, including software, is carried at historical cost or estimated historical cost. The Authority does not develop its own software, but if it did, the developed software would be capitalized and depreciated the same as purchased software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed 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. However, all capital outlay purchases may not necessarily be capitalized.

The Authority does not capitalize interest in regards 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:

Buildings and improvements	40 years
Office furniture and equipment	7-12 years
Computer equipment and purchased software	7-8 years
Motor vehicles	10 years
Infrastructure	70 years
Fencing	10 years



The Authority owns certain infrastructure assets including dams, ponds, and drainage channels. The Authority also owns title to various sections of land and has drainage easements associated with their infrastructure. The property rights underneath and around all major facilities have been capitalized at actual or estimated historical cost or fair market value for contributed assets.

#### **H. Reservations and Designations of Fund Balances**

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Debt Service - This reserve was created to represent funds which are restricted to use for debt service.

Reserved for Construction Projects – This reserve was created to represent funds which are restricted to use for construction projects.

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

Designated fund balances are determined internally by the Board of the Authority. They consist of \$139,185 for a general budget reserve, and \$410,815 for a general reserve. They may be redesignated by the Authority's Board at any time.

#### **I. Revenues and Expenditures**

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

#### **J. Net Assets**

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

**Investment in Capital Assets (net of related debt)** - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the general obligation bonds issued to finance the Authority construction projects. The Authority did have related debt of \$19,640,000 at June 30, 2008.

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

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

**K. 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.

**L. Deferred Revenue**

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

Ad valorem assessments	<u>\$ 222,027</u>
------------------------	-------------------

**M. 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 described as noncash capital contributions and as program expenditures.

**N. Bond Issuance Costs and Bond Premium**

Bond issuance costs of \$43,611 from the current year have been capitalized in the government-wide financial statements and are being amortized over the life of the related bond payable. A bond premium of \$7,341 in the current year has been capitalized in the government-wide financial statements and is being amortized against interest expense over the life of the related bond payable.

**2. CASH AND INVESTMENTS**

The Southern Sandoval County Arroyo Flood Control Authority invests its funds in accordance with Resolutions 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. The Authority currently requires 50 percent collateral after considering FDIC insurance on its deposits with Wells Fargo. At June 30, 2008, collateral pledged by Wells Fargo was in excess of the requirement by \$887,517.

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

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

Wells Fargo, Albuquerque, NM – all are demand deposit accounts	
Cash balance per depository at June 30, 2008:	
General Fund	\$ 171,712
Petty cash	200
Subtotal	<u>171,912</u>
Add deposits-in-transit and suspense items	13,430
Less outstanding checks, all accounts	<u>(103,385)</u>
 Net carrying value at June 30, 2008	 <u>\$ 81,957</u>
 Shown as:	
General Fund	\$ 81,957
Debt Service Fund	-0-
Capital Projects Fund	<u>-0-</u>
 Total cash per government-wide financial statements	 <u>\$ 81,957</u>

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

<u>Depository Accounts</u>	<u>General</u>
Insured	\$ 100,000
Collateral held by the pledging bank's trust department in the Authority's name	<u>71,712</u>
Total deposits	<u>\$ 171,712</u>

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

The Authority has invested funds in the New Mexico State Treasurer's Local Government Investment Pool (Pool). The Pool's investments are U.S. term overnight repurchase agreements. Interest rates fluctuate depending upon the investments in the Pool, and the interest rate at June 30, 2008, was 2.4079%. The repurchase agreements are secured at 102 percent by U.S. Government Securities. The fiscal agent bank for the Pool contracts with a New York bank to act as third-party custodian of all of the collateral pledged as required at 102 percent for the overnight repurchase agreements. The New Mexico State Treasurer does have the statutory approval to invest in such agreements.

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

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States Government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments; 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 amounts deposited in the fund and the length of time the amounts in the pool were invested; and Participation in the local government investment pool is voluntary. The pool is unrated as to credit risk. There is no foreign currency risk as all investments in the Pool are in U.S. dollar denominated assets.

The Pool is AAAM rated at June 30, 2008 and had a 46-day Weighted Average Maturity (WAM) at June 30, 2008.

Following are the descriptions of the investments held by fund and which are reflected in the financial statements as of June 30, 2008:

	<u>Cost</u>	<u>Par Value</u>	<u>Market Value</u>
<b><u>General Fund</u></b>			
New Mexico State Treasurer's Local Government Investment Pool	\$ 1,266,385	\$ 1,266,385	\$ 1,266,385
<b><u>Debt Service Fund</u></b>			
New Mexico State Treasurer's Local Government Investment Pool	1,794,324	1,794,324	1,794,324
<b><u>Capital Projects Fund</u></b>			
New Mexico State Treasurer's Local Government Investment Pool	<u>5,188,300</u>	<u>5,188,300</u>	<u>5,188,300</u>
Total	<u>\$ 8,249,009</u>	<u>\$ 8,249,009</u>	<u>\$ 8,249,009</u>

### 3. **RECEIVABLES**

The following are the receivables outstanding at June 30, 2008:

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>	<u>Total</u>
Receivables:				
Current property taxes	\$ 12,984	\$ 17,291	\$ -0-	\$ 30,275
Delinquent property taxes	95,347	126,680	-0-	222,027
Interest	1,812	2,612	10,792	15,216
Grants	<u>-0-</u>	<u>-0-</u>	<u>510,857</u>	<u>510,857</u>
Total receivables	<u>\$ 110,143</u>	<u>\$ 146,583</u>	<u>\$ 521,649</u>	<u>\$ 778,375</u>

Property taxes receivable arise from tax levies which were levied and which are to be collected by the Sandoval County Treasurer. Of the property taxes noted above, \$12,984 in the General Fund and \$17,291 in the Debt Service Fund are considered available financial resources and considered fully collectible. Delinquent property taxes of \$222,027 have been recorded, which includes receivables for all noncollected levied taxes. Delinquent property taxes do not represent measurable available resources so they are considered to be deferred revenue in the fund financial statements.

#### 4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance June 30, 2007</u>	<u>Capital Acquisitions</u>	<u>Transfers Sales or Other Dispositions</u>	<u>Balance June 30, 2008</u>
<u>Capital Assets not being depreciated:</u>				
Land - operating	\$ 228,500	\$ -0-	\$ -0-	\$ 228,500
<u>Infrastructure:</u>				
Fee simple and easement land	15,700,241	3,824,613	-0-	19,524,854
Construction - in - progress	<u>4,807,856</u>	<u>561,063</u>	<u>(4,623,386)</u>	<u>745,533</u>
 Total capital assets not being depreciated	 <u>20,736,597</u>	 <u>4,385,676</u>	 <u>(4,623,386)</u>	 <u>20,498,887</u>
<u>Capital Assets being depreciated:</u>				
<u>Operating:</u>				
Building and improvements	1,102,730	-0-	-0-	1,102,730
Furniture, equipment and vehicles	263,042	17,228	-0-	280,270
<u>Infrastructure:</u>				
Flood control system - Dams ponds and drainage channels	<u>26,781,296</u>	<u>4,852,538</u>	<u>4,623,386</u>	<u>36,257,220</u>
 Total capital assets being Depreciated	 <u>28,147,068</u>	 <u>4,869,766</u>	 <u>4,623,386</u>	 <u>37,640,220</u>
 Total capital assets	 <u>48,883,665</u>	 <u>9,255,442</u>	 <u>-0-</u>	 <u>58,139,107</u>
<u>Less accumulated depreciation:</u>				
Building and improvement	(117,638)	(27,793)	-0-	(117,638)
Furniture, equipment and vehicles	(123,569)	(23,709)	-0-	(147,278)
Flood control system - Dams ponds and drainage channels	<u>(4,934,955)</u>	<u>(438,905)</u>	<u>-0-</u>	<u>(5,373,860)</u>
 Total accumulated depreciation	 <u>(5,176,162)</u>	 <u>(490,407)</u>	 <u>-0-</u>	 <u>(5,666,569)</u>
 Capital assets, net of accumulated depreciation	 <u>\$ 43,707,503</u>	 <u>\$ 8,765,035</u>	 <u>\$ -0-</u>	 <u>\$ 52,472,538</u>

Depreciation expense was \$490,407 for the year ended June 30, 2008 and has been allocated to General Government. As of June 30, 2008, the Authority was not liable for any construction costs due to joint powers agreements.

Dispositions of \$4,623,386 consisted of:

Transfers to Infrastructure \$4,623,386

Total capital outlay per governmental fund statements	\$11,193,494
Less capital outlay that was capitalized	<u>(9,255,442)</u>
Capital outlay that was not capitalized	<u>\$ 1,938,052</u>

## 5. GENERAL OBLIGATION BONDS PAYABLE

### A. Changes in General Obligation Bonds Payable

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
General obligation bonds payable	\$ 14,360,000	\$ 6,000,000	\$ (720,000)	\$ 19,640,000	\$ 850,000

The Authority properly issued general obligation bonds of \$6,000,000 in October 2007.

### B. Bonds Payable

All bonds are general obligation issues which are to be retired with future property tax levies for this purpose. The legal debt limit for the Authority is \$30,000,000 while the total general obligation debt on June 30, 2008 was \$19,640,000. The resulting legal debt margin is \$10,360,000.

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

#### Series 1998

Original amount: \$2,500,000

Interest rate - 4.7% to 5.3%, Matures August 1, 2010

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 375,000	\$ 36,138	\$ 411,138
2010	300,000	19,600	319,600
2011	250,000	6,125	256,125
Total	<u>\$ 925,000</u>	<u>\$ 61,863</u>	<u>\$ 986,863</u>

#### Series 1999

Original amount: \$2,000,000

Interest rate - 4.4% to 5.9%. Matures August 1, 2011

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 100,000	\$ 33,970	\$ 133,970
2010	200,000	26,920	226,920
2011	200,000	17,470	217,470
2012	265,000	6,360	271,360
Total	<u>\$ 765,000</u>	<u>\$ 84,720</u>	<u>\$ 849,720</u>

Series 2001

Original amount: \$2,500,000

Interest rate - 4.25% to 5.5%. Matures August 1, 2013

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 100,000	\$ 104,450	\$ 204,450
2010	200,000	96,200	296,200
2011	200,000	86,450	286,450
2012	500,000	71,575	571,575
2013	650,000	46,975	696,975
2014	750,000	16,500	766,500
Total	<u>\$ 2,400,000</u>	<u>\$ 422,150</u>	<u>\$ 2,822,150</u>

Series 2005

Original amount: \$3,000,000

Interest rate - 3.0% to 4.0%. Matures August 1, 2018

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 50,000	\$ 103,100	\$ 153,100
2010	50,000	101,600	151,600
2011	100,000	99,350	199,350
2012	100,000	96,225	196,225
2013	100,000	92,900	192,900
2014-2018	1,950,000	307,500	2,257,500
2019	500,000	9,500	509,500
Total	<u>\$ 2,850,000</u>	<u>\$ 810,175</u>	<u>\$ 3,660,175</u>

Series 2005 A

Original amount: \$3,000,000

Interest rate - 3.7% to 4.0%. Matures August 1, 2019

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 225,000	\$ 98,187	\$ 323,187
2010	100,000	91,812	191,812
2011	100,000	88,063	188,063
2012	100,000	84,313	184,313
2013	100,000	80,562	180,562
2014-2018	1,375,000	282,669	1,657,669
2019-2020	700,000	27,212	727,212
Total	<u>\$ 2,700,000</u>	<u>\$ 752,818</u>	<u>\$ 3,452,818</u>

Series 2007

Original amount: \$4,000,000

Interest rate - 3.75% to 4.0%, Matures August 1, 2020

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ -0-	\$ 157,473	\$ 157,473
2010	120,000	155,073	275,073
2011	275,000	147,172	422,172
2012	350,000	134,673	484,673
2013	650,000	114,672	764,672
2014-2018	1,750,000	335,025	2,085,025
2019-2021	<u>855,000</u>	<u>42,519</u>	<u>897,519</u>
Total	<u>\$ 4,000,000</u>	<u>\$ 1,086,607</u>	<u>\$ 5,086,607</u>

Series 2007A

Original amount: \$6,000,000

Interest rate - 3.65% to 4.0%, Matures August 1, 2020

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 280,000	\$ 296,390	\$ 576,390
2010	290,000	213,820	503,820
2011	350,000	201,020	551,020
2012	400,000	186,020	586,020
2013	465,000	168,720	633,720
2014-2018	3,000,000	476,175	3,476,175
2019-2021	<u>1,215,000</u>	<u>69,325</u>	<u>1,284,325</u>
Total	<u>\$ 6,000,000</u>	<u>\$ 1,611,470</u>	<u>\$ 7,611,470</u>

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

Year Ended June 30	Annual Requirements		
	Principal	Interest	Total
2009	\$ 1,130,000	\$ 829,708	\$ 1,959,708
2010	1,260,000	705,025	1,965,025
2011	1,475,000	645,650	2,120,650
2012	1,715,000	579,166	2,294,166
2013	1,965,000	503,829	2,468,829
2014-2018	8,825,000	1,417,869	10,242,869
2019-2021	<u>3,270,000</u>	<u>148,556</u>	<u>3,418,556</u>
Total	<u>\$ 19,640,000</u>	<u>\$ 4,829,803</u>	<u>\$ 24,469,803</u>



## **6. PROPERTY TAXES**

Property taxes are payable to the Sandoval County Treasurer in two equal installments, due on November 10<sup>th</sup> of the year in which the tax bill was prepared and on April 10<sup>th</sup> 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.

The Authority has, as of June 30, 2008, a mill levy of 0.87 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 an operating levy of 0.624 mills per \$1,000 of assessed value. 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.

## **7. PUBLIC EMPLOYEES' RETIREMENT PLAN**

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 II, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

### **A. Retirement Eligibility**

Under municipal general member coverage Plan 3, the percentage of retirement benefits for covered employees will be 3.0 percent of their final average monthly salary for the thirty-six consecutive months of credited service producing the largest average. All of the Authority's full-time participants elected to be covered under general member coverage Plan 3. Eligibility for receiving the monthly benefits is as follows:

- a. Age sixty-five years or older and five or more years of credited service;
- b. Age sixty-four years and eight or more years of credited service;
- c. Age sixty-three years and eleven or more years of credited service;
- d. Age sixty-two years and fourteen or more years of credited service;
- e. Age sixty-one years and seventeen or more years of credited service;
- f. Age sixty years and twenty or more years of credited service; or
- g. Any age and twenty-five or more years of credited service.

### **B. Disability Benefits**

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at time of disability

retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the retired member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disabled retired member does not submit an annual statement or earnings in the previous year is more than the amount which causes the suspension of or a decrease in the social security old age benefit for a 65 year old.

### **C. Retirement Benefits**

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

### **D. Fund Policy**

Plan members are required to contribute 13.15% of their gross salary. The Authority is required to contribute 9.15%. The Authority has elected to pay 75 percent of the employee's required contribution for a total of 19.01% contributed by the Authority. The contribution requirements of plan members and the Authority are established under Chapter 10, Article II NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$79,173, \$66,107, and \$52,456, respectively, equal to the amount of the required contributions for each year.

## **8. DEFERRED COMPENSATION PLAN**

The Authority adopted a deferred compensation plan as of July 20, 2004. All of the Authority's full-time employees are eligible to participate. The International City Management Association Retirement Corporation is the plan administrator. The plan provides for retirement benefits. Employees may elect to defer any percentage of pre-income tax income up to a federally imposed annual dollar amount. Participation is voluntary. Participants direct their funds into a variety of funds held by Vantage Trust Funds. Accounts are 100% vested at all times.

## **9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* SSCAFCA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium 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](http://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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. SSCAFCA joined the Retiree Health Care Fund mid-way through the fiscal year ended June 30, 2007 and was required to pay an amount of \$8,143 to join the fund.

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 SSCAFCA's contributions to the RHCA for the years ended June 30, 2008, and 2007 were \$5,413 and \$2,272 respectively, which equal the required contributions for each year.

## **10. FUND BALANCES - DESIGNATIONS**

The amount designated for general budget reserve is in accordance with State budget guidelines. The Authority also records reserves to indicate that a portion of fund balance is segregated for a specific future use or is not available for appropriation or expenditure.

## **11. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 12. SIGNIFICANT ESTIMATES

The Authority records property taxes receivable based on the amounts collected by the Sandoval County Treasurer in June that are remitted to the Authority in July. Based on information provided by the Sandoval County's Treasurer's Office, an estimated receivable of \$252,302 at June 30, 2008 was recorded by the Authority based on the applicable assessed valuation, the related mill levy rates and other information provided.

## 13. SUBSEQUENT EVENT

The Board of Directors approved a general obligation bond question to be on the ballot for the general election which was held on November 4, 2008. The bond question for \$18 million in G.O. Bonds, was approved by the voters. The Authority intends to issue a portion of these bonds in early 2009.

## 14. RECONCILIATION OF NON-GAAP BUDGETARY BASIS TO GAAP BASIS

The following is an explanation of differences between Non-GAAP budgetary basis and GAAP basis for all governmental funds for the year ended June 30, 2008:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b><u>Revenues</u></b>			
Total revenues per budgetary basis (Non-GAAP) \$	1,398,587	\$ 1,889,113	\$ 1,531,654
Increase (decrease) in property taxes receivable	(2,961)	(576)	-0-
Increase (decrease) in grants receivable	-0-	-0-	510,857
Increase (decrease) in interest receivable	(1,174)	(1,226)	(9,585)
Bond premium reclassified as other			
Financing sources	-0-	(7,341)	-0-
Increase (decrease) in property taxes receivable			
Non-cash capital contributions	-0-	-0-	4,726,716
Total revenues per GAAP basis	<u>\$ 1,394,452</u>	<u>\$ 1,879,970</u>	<u>\$ 6,759,642</u>
<b><u>Expenditures</u></b>			
Total expenditures per budgetary basis (Non-GAAP)	\$ 1,076,420	\$ 1,289,810	\$ 7,070,304
Increase (decrease) in accounts payable	(3,132)	-0-	(574,848)
Increase (decrease) in accrued payroll and taxes	7,259	-0-	-0-
Non-cash capital contributions	-0-	-0-	4,726,716
(Increase) decrease in prepaid insurance	(934)	-0-	-0-
Other	-0-	-0-	-0-
Total expenditures per GAAP basis	<u>\$ 1,079,613</u>	<u>\$ 1,289,810</u>	<u>\$ 11,222,172</u>

**SUPPLEMENTAL INFORMATION –**  
**INDIVIDUAL FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,336,717	\$ 1,336,717	\$ 1,855,237	\$ 518,520
Investment	12,500	12,500	26,535	14,035
Other	-0-	-0-	7,341	7,341
Total revenues	<u>1,349,217</u>	<u>1,349,217</u>	<u>1,889,113</u>	<u>539,896</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Interest and fiscal charges	569,810	641,810	569,810	72,000
Bond principal	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>-0-</u>
Total expenditures	<u>1,289,810</u>	<u>1,361,810</u>	<u>1,289,810</u>	<u>72,000</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 59,407</u>	<u>\$ 59,407</u>	<u>\$ 599,303</u>	<u>\$ 467,896</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Investment	\$ 100,000	\$ 100,000	\$ 251,892	\$ 151,892
Grant	-0-	-0-	421,612	421,612
Other	634,015	634,015	858,150	224,135
Total revenues	<u>734,015</u>	<u>734,015</u>	<u>1,531,654</u>	<u>797,639</u>
<b>EXPENDITURES:</b>				
General government	-0-	-0-	2,295	(2,295)
Capital outlay	5,460,965	11,460,965	7,024,398	4,436,567
Bond issuance costs	-0-	-0-	43,611	(43,611)
Total expenditures	<u>5,460,965</u>	<u>11,460,965</u>	<u>7,070,304</u>	<u>4,390,661</u>
Excess (deficiency) of revenues over expenditures	<u>(4,726,950)</u>	<u>(10,726,950)</u>	<u>(5,538,650)</u>	<u>5,188,300</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bond sale	-0-	6,000,000	6,000,000	-0-
Total other financing sources (uses)	<u>-0-</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>-0-</u>
Net change in fund balance	(4,726,950)	(4,726,950)	<u>\$ 461,350</u>	<u>\$ 5,188,300</u>
Prior year cash balance required to balance budget	<u>\$ 4,726,950</u>	<u>\$ 4,726,950</u>		

The accompanying notes are an integral part of these financial statements.

**ADDITIONAL INFORMATION - SUPPORTING SCHEDULES**



**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**SCHEDULE OF PLEDGED COLLATERAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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The following presents the collateral requirements for the Authority's bank demand deposits at June 30, 2008.

Wells Fargo, Albuquerque, NM – account is demand deposit account:

Cash balances per depository at June 30, 2008	
General Fund	\$ 171,712
Less FDIC insurance coverage	(100,000)
Uninsured balance	<u>\$ 71,712</u>
Collateralization required (50%)	<u>\$ 35,856</u>

Collateral provided -- held by Wells Fargo Bank, N.A., San Francisco, California.

	Face Value	Fair Market Value
FNCL 6%, CUSIP #31371NNV3, matures 10/01/37	\$ 510,012	\$ 515,152
FNCL 6%, CUSIP #31410TBR5, matures 07/01/36	403,586	<u>408,221</u>
Total collateral		<u>923,373</u>
Collateralization in excess of requirements		<u>\$ 887,517</u>

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**AS OF JUNE 30, 2008**

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JPA # 07-21

PARTICIPANTS: City of Rio Rancho  
SSCAFCA

RESPONSIBLE PARTY FOR OPERATIONS: SSCAFCA

DESCRIPTION: Improve the public drainage facility located within the Barrancas Arroyo which received substantial damage from storm water runoff. Prevent, to the greatest extent possible, damage to public and private property from future storm water runoff.

EFFECTIVE DATES: December 27, 2007 – earlier of project completion date or May 2008

PROJECT COSTS: La Barrancas Structure Stabilization (SSCAFCA) \$ 22,736  
La Barrancas Structure Stabilization (City) \$171,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR: \$ 22,736 (SSCAFCA)  
\$171,000 (City)

AUDIT RESPONSIBILITY: SSCAFCA

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES  
ARE REPORTED: SSCAFCA

JPA # 08-05

PARTICIPANTS: City of Rio Rancho  
SSCAFCA

RESPONSIBLE PARTY FOR OPERATIONS: SSCAFCA

DESCRIPTION: Construct the 19<sup>th</sup> Avenue Dam

EFFECTIVE DATES: March 20, 2008 – earlier of project completion date or March 20, 2012

PROJECT COSTS: 19<sup>th</sup> Avenue Dam Right-of-Way Costs (City) \$1,000,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR: \$ 210,091 (City)

AUDIT RESPONSIBILITY: SSCAFCA

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES  
ARE REPORTED: SSCAFCA

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Passed through State of New Mexico Department of Public Safety</u>		
Hazard Mitigation Grant	97.039	<u>751,991</u>
Total Expenditures of Federal Awards		<u>\$ 751,991</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the State of New Mexico Southern Sandoval County Arroyo Flood Control Authority (Authority) and is presented on the accrual basis of accounting which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The Authority did not receive any federal awards in the form of non-cash assistance during the year.

3. Subrecipients

The Authority did not provide any federal awards to subrecipients during the year.

**OTHER REPORTS**



**CHESTER W. MATTOCKS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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Albuquerque, New Mexico 87125  
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**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**

To the Board of Directors of  
Southern Sandoval County Arroyo Flood Control Authority  
Rio Rancho, New Mexico

and

Mr. Hector H. Balderas  
State Auditor  
Santa Fe, New Mexico

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the respective budgetary comparison of the General Fund of the State of New Mexico, Southern Sandoval County Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Authority, and have issued my report thereon dated November 21, 2008. I also have audited the individual fund financial statement of the Authority which present the respective budgetary comparisons of the Debt Service Fund and the Capital Projects Fund as of and for the year June 30, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Chester W. Matlock, CPA*  
November 21, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Southern Sandoval County Arroyo Flood Control Authority  
Rio Rancho, New Mexico  
and  
Mr. Hector H. Balderas  
State Auditor  
Santa Fe, New Mexico

Compliance

I have audited the compliance of the State of New Mexico, Southern Sandoval County Arroyo Flood Control Authority (Authority) with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

In my opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

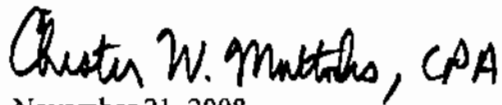


A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Handwritten signature of Chester W. Matthews, CPA in black ink.

November 21, 2008



**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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No audit findings were reported in the prior year.

Note: The financial statements were prepared substantially by the independent auditor, Chester W. Mattocks, CPA.

**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**

**EXIT CONFERENCE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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Exit Conference

An exit conference was held on December 1, 2008, to discuss the annual financial report. Attending were the following:

Representing the Southern Sandoval County Arroyo Flood Control Authority:

Board Member

William C. "Dub" Yarbrough – Director

Administrative Staff

David Stoliker, PE – Executive Engineer  
Perry Baird – Fiscal Services Director  
Debbie Casaus, CPA – Accounting Officer

Representing the Independent Auditor:

David Baca, Audit Senior