

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
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JUNE 30, 2010

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STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2010

BOARD OF DIRECTORS

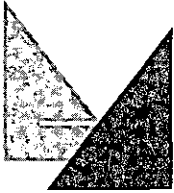
Mark Conkling
Donald Rudy
William Yarbrough
Steve House
John Chaney

Chairman
Chair Pro Tem
Treasurer
Secretary
Director

EXECUTIVE PERSONNEL

David Stoliker, PE
Debbie Casaus, CPA
Sandra Parker
Perry Baird

Executive Engineer
Fiscal Services Director
Accountant
Consultant



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund, and the budgetary comparison for the general fund of the Southern Sandoval County Arroyo Flood Control Authority (the Authority) as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Authority's budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information in the accompanying individual fund financial statements for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Sandoval County Arroyo Flood Control Authority as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the debt service fund and the capital projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of Southern Sandoval County Arroyo Flood Control Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information. The Schedules of Cash Accounts and Pledged Collateral and Joint Powers Agreements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mackie, Reid + Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 2, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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 funds. 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, 2010 (FY10) with fiscal year ending June 30, 2009 (FY09) appears in the tables below:

Comparative Statement of Net Assets (\$000)

	<u>FY10</u>	<u>FY09</u>	<u>Incr/(decr) 10 over 09</u>
Assets			
Current Assets	8,474	8,826	(352)
Capital Assets	65,943	60,790	5,153
Other Assets	<u>200</u>	<u>148</u>	<u>52</u>
Total Assets	<u>74,617</u>	<u>69,764</u>	<u>4,853</u>
Liabilities			
Current Liabilities	2,030	2,134	(104)
Noncurrent Liabilities	<u>24,443</u>	<u>21,376</u>	<u>3,067</u>
Total Liabilities	<u>26,473</u>	<u>23,510</u>	<u>2,963</u>
Net Assets			
Investment in capital assets net of related debt	40,192	38,280	1,912
Restricted for:			
Debt Service	2,264	1,864	400
Capital Projects	4,068	4,804	(736)
Unrestricted	<u>1,620</u>	<u>1,306</u>	<u>314</u>
Total Net Assets	<u>48,144</u>	<u>46,254</u>	<u>1,890</u>

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Comparative Statement of Activities (\$000)

	<u>FY10</u>	<u>FY09</u>	<u>Incr/(decr)</u> <u>10 over 09</u>
Expenses:			
Governmental Activities			
General Government	(2,391)	(2,141)	250
Depreciation	(692)	(603)	89
Interest expense	(902)	(810)	92
Total expenses	<u>(3,985)</u>	<u>(3,554)</u>	<u>431</u>
Program Revenue			
Non-cash capital contributions	1,271	1,903	(632)
Operating grants	-	853	(853)
Other grants	<u>-</u>	<u>1,631</u>	<u>(1,631)</u>
Total program revenue	<u>1,271</u>	<u>4,387</u>	<u>(3,116)</u>
General Revenue			
Property taxes	4,526	3,811	715
Investment	17	60	(43)
Net gains on disposition of property & other	<u>61</u>	<u>-</u>	<u>61</u>
Total General Revenue	<u>4,604</u>	<u>3,871</u>	<u>733</u>
Change in Net Assets	1,890	4,704	(2,814)
Net Assets-beginning of year	<u>46,254</u>	<u>41,550</u>	<u>4,704</u>
Net Assets-end of year	<u>48,144</u>	<u>46,254</u>	<u>1,890</u>

The financial position of the Authority has improved somewhat in FY10. This can be seen in the increase in total net assets of approximately \$2.0 million. Capital assets increased by \$5.1 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 \$3.0 million, which is primarily due to the issuance of the Series 2010 Bonds in March 2010.

Property tax revenue in the General Fund increased by approximately \$559,000 in FY10 over FY09. The operational tax rate for FY10 was set at 0.753 mills for residential and 0.83 mills for non-residential. The total assessed value of property within the boundaries of SSCAFCA was \$2,493,535,171 in tax year 2009 and \$2,658,789,361 in tax year 2010 resulting in a 6.6% increase in total assessed valuation. This growth resulted from both new construction (4.1%) and re-assessment activities of the Sandoval County Assessor (2.5%). The total assessed value of taxable property within the boundaries of the Authority has increased an average of 12.4% each year over the past ten years and at an average annual rate of 17.39% over the past five years. For future budgeting purposes, because of the current economic conditions it is expected that a conservative growth rate in the range of 4-8% will be utilized for budgetary purposes in the near term.

STATE OF NEW MEXICO
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ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The end of year fund balance in the General Fund increased by approximately \$227,000 in FY10 over FY09. The increase is the result of higher revenues than estimated and the restriction of expenditure growth by management during FY10 due to uncertainty about future economic growth.

The end of year fund balance in the Debt Service Fund increased by approximately \$377,000 in FY10 over FY09 due to the increase in the total assessed valuation and no offsetting decrease in the tax rate. Also, the issuance of refunding bonds resulted in increased resources to the fund (i.e., refunding bonds proceeds).

The end of year fund balance in the Capital Projects Fund was approximately \$4.1 million for FY10 vs. \$4.8 million for FY09, a decrease of approximately \$0.7 million. This lower fund balance is the result of new money bond proceeds being \$0.5 million more in FY10 than in FY09 and other revenues were \$3.1 million less in FY10, i.e., capital grants and miscellaneous revenue. Finally, capital expenditures were \$2.7 million less in FY10 than in FY09.

Capital Assets and Long-Term Debt

Capital assets of the Authority as of 6/30/10 include \$27 million in non-depreciable land and easements. The increase of \$2.5 million over FY09 represents approximately 40 acres of purchased flood control right-of-way.

Other capital assets as of the end of FY10 include infrastructure facilities which have an estimated useful life of 70 years and a value of \$34.7 million, net of accumulated depreciation. Additions to capital assets in FY10 include the Guadalajara Storm Drain, Obregon Pond Drainage Improvements, and other miscellaneous pond improvements costing approximately \$1.1 million (constructed by SSCAFCA). Another addition to capital assets includes a non-cash contribution from Presbyterian Rio Rancho Medical Center in the form of construction of the Tributary "E" Storm Drain, which was completed by Presbyterian and accepted by SSCAFCA in FY10, whereby the Authority assumes responsibility for operation and maintenance of the facility. Construction in progress on future infrastructure facilities amounts to \$848,870 as of 6/30/10. The remainder of the Authority's capital assets as of 6/30/10 is comprised of its office building valued at \$3,063,000, which includes a newly built expansion and parking lot; four vehicles and furniture and equipment valued at \$195,000, all net of accumulated depreciation.

SSCAFCA has \$25,745,000 outstanding in general obligation bonds as of 6/30/10 versus \$22,510,000 at 6/30/09. The increase is attributed to the issuance of \$4,500,000 Series 2010A G.O. Bonds and \$2,360,000 Series 2010B Refunding G.O. Bonds in March 2010. This is the second issuance of \$18,000,000 that was authorized by the voters in November 2008. We are at 43% of our bonding capacity. It should be recognized that SSCAFCA's bonding capacity was increased through unanimous support by the New Mexico Legislature in 2009, and was increased from \$30 million to \$60 million.

Total bonded debt as of 6/30/10 is made up of nine series of general obligation bonds (Series 1998, 2001, 2005, 2005A, 2007, 2007A, 2009, 2010A, and 2010B) which are scheduled to be retired over the next 13 years. The total proceeds of these seven series of bonds amounts to \$31,860,000, which has been, or will be, spent on the acquisition and/or design and construction of flood control system capital projects and to redeem series 1999 and Series 2001 Bonds.

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ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Budgetary Performance

Total general fund expenditures in FY10 were \$562,000 less than total appropriations. Various factors contributed to the budget surplus including two positions that were vacant for a portion of the year. Savings were achieved in other line items such as operations and maintenance in which specific projects were able to be delayed without a loss in functionality until the next fiscal year due to better than anticipated weather conditions. Management takes great pride in these cost savings. Also, extended right-of-way negotiations resulted in delays in acquisitions, resulting in budgetary savings in that line item.

Plans for Future Activities

A \$2.5 million G.O. bond issue for capital projects is planned for early 2011.

The Authority is actively exploring all sources of revenue available to it. We are aggressively seeking grant funding and working with other local governments to pursue the possibility of further joint powers agreements.

The SSCAFCA office 4,257 square foot addition was completed in January 2010. The building addition earned the Leadership in Energy and Environmental Design "LEED" Platinum certification, the highest level of certification available. The building includes bi-facial solar panels to achieve "net-zero" energy use. The building demonstrates to area residents how to incorporate passive solar heating, use of native landscaping, and natural elements into the design to achieve an effective use of natural resources. The SSCAFCA Board and Staff are proud of this accomplishment and sees this as an investment for the future.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash	\$ 283,602
Investments	7,602,669
Receivables:	
Ad valorem assessments	554,930
Interest	1,442
Prepaid expenses	30,222
Bond issue costs, net of accumulated amortization	200,375
Capital assets	
Land and easements	27,040,760
Depreciable buildings, property and infrastructure, net of accumulated depreciation	37,913,483
Intangibles	140,183
Construction in progress	<u>848,870</u>
 Total assets	 <u>74,616,536</u>
Liabilities	
Accounts payable	80,504
Salaries and benefits payable	34,190
Accrued interest payable	373,689
Accrued compensated absences-	
Payable within one year	21,597
Payable after one year	10,814
General obligation bonds payable-	
Portion due within one year	1,520,000
Portion due after one year	24,225,000
Bond premium, net of accumulated amortization	<u>207,024</u>
 Total liabilities	 <u>26,472,818</u>
Net assets	
Invested in capital assets, net of related debt	40,191,647
Restricted:	
For capital projects	4,067,735
For debt service	2,263,690
Unrestricted	<u>1,620,646</u>
 Total net assets	 <u>\$ 48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>
Program expenses	
Public Works:	
Personnel services	\$ 633,770
Employee benefits	244,684
Planning and engineering	720,247
General and administrative expenses	571,510
Contractual operating and maintenance services	221,037
Depreciation	692,160
Interest	<u>901,989</u>
Total program expenses	<u>3,985,397</u>
Program revenue	
Charges for services:	
Other revenue	424
Noncash capital contributions	<u>1,270,500</u>
Total program revenue	<u>1,270,924</u>
Net program expense	(2,714,473)
General revenues	
Ad valorem assessments	4,526,083
Investment income	16,700
Gain on equipment and property removal	<u>61,158</u>
Total general revenues	<u>4,603,941</u>
Increase in net assets	1,889,468
Net assets, beginning of year	<u>46,254,250</u>
Net assets, end of year	\$ <u>48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash	\$ 283,602	\$ -	\$ -	\$ 283,602
Investments	1,152,232	2,339,243	4,111,194	7,602,669
Receivables:				
Ad valorem assessments	257,059	297,871	-	554,930
Interest	143	265	1,034	1,442
Interfund receivable	-	-	12,547	12,547
Prepaid expenses	<u>30,222</u>	<u>-</u>	<u>-</u>	<u>30,222</u>
Total assets	\$ <u>1,723,258</u>	\$ <u>2,637,379</u>	\$ <u>4,124,775</u>	\$ <u>8,485,412</u>
 <u>Liabilities and fund balances</u>				
Liabilities				
Accounts payable	\$ 23,464	\$ -	\$ 57,040	80,504
Salaries and benefits payable	34,190	-	-	34,190
Interfund payable	12,547	-	-	12,547
Deferred revenue	<u>226,342</u>	<u>262,966</u>	<u>-</u>	<u>489,308</u>
Total liabilities	<u>296,543</u>	<u>262,966</u>	<u>57,040</u>	<u>616,549</u>
Fund balances				
Reserved for petty cash	200	-	-	200
Reserved for debt service	-	2,374,413	-	2,374,413
Reserved for construction projects and related costs	-	-	4,067,735	4,067,735
Unreserved:				
Designated for subsequent year expenditures	667,866	-	-	667,866
Designated for general budget reserve	218,635	-	-	218,635
Board designated general reserve	<u>540,014</u>	<u>-</u>	<u>-</u>	<u>540,014</u>
Total fund balances	<u>1,426,715</u>	<u>2,374,413</u>	<u>4,067,735</u>	<u>7,868,863</u>
Total liabilities and fund balances	\$ <u>1,723,258</u>	\$ <u>2,637,379</u>	\$ <u>4,124,775</u>	\$ <u>8,485,412</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances – governmental funds (Balance Sheet)		\$ 7,868,863
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in the funds.		65,943,296
Delinquent ad valorem assessments receivable are not available to pay current period expenditures and, therefore, are reported as deferred revenues in the fund financial statements.		489,308
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation bonds payable	\$ (25,745,000)	
Accrued interest payable	(373,689)	
Accrued compensated absences	(32,411)	
Total liabilities		(26,151,100)
Bond issue costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities		200,375
Bond premiums received are recognized as other financing sources in the period received for fund financial statements but are amortized for governmental activities		(207,024)
Total net assets (Statement of Net Assets)		\$ <u>48,143,718</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem assessments	\$ 2,080,584	\$ 2,345,534	\$ -	\$ 4,426,118
Investment income	1,165	1,500	14,035	16,700
Noncash capital contributions	-	-	1,270,500	1,270,500
Charges for services:				
Other revenue	<u>133</u>	<u>-</u>	<u>291</u>	<u>424</u>
Total revenues	<u>2,081,882</u>	<u>2,347,034</u>	<u>1,284,826</u>	<u>5,713,742</u>
Expenditures				
Current				
Public works	1,768,788	-	756,029	2,524,817
Capital outlay	86,432	-	5,789,976	5,876,408
Debt service				
Principal	-	1,725,000	-	1,725,000
Interest	-	842,560	-	842,560
Bond issuance costs	<u>-</u>	<u>-</u>	<u>67,197</u>	<u>67,197</u>
Total expenditures	<u>1,855,220</u>	<u>2,567,560</u>	<u>6,613,202</u>	<u>11,035,982</u>
Excess (deficiency) of revenues over expenditures	<u>226,662</u>	<u>(220,526)</u>	<u>(5,328,376)</u>	<u>(5,322,240)</u>
Other financing sources (uses)				
Equipment and property disposition proceeds	-	-	91,781	91,781
Bond premium	-	178,180	-	178,180
Refunding bonds proceeds	-	2,360,000	-	2,360,000
Bond proceeds	-	-	4,500,000	4,500,000
Payments to escrow agent for future bond refunding	<u>-</u>	<u>(1,940,534)</u>	<u>-</u>	<u>(1,940,534)</u>
Total other financing sources	<u>-</u>	<u>597,646</u>	<u>4,591,781</u>	<u>5,189,427</u>
Net changes in fund balances	226,662	377,120	(736,595)	(132,813)
Fund balances, beginning of year	<u>1,200,053</u>	<u>1,997,293</u>	<u>4,804,330</u>	<u>8,001,676</u>
Fund balances, end of year	\$ <u>1,426,715</u>	\$ <u>2,374,413</u>	\$ <u>4,067,735</u>	\$ <u>7,868,863</u>

See accompanying notes to 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 OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net change in fund balances – governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (132,813)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures, while in the statement of activities the cost of these assets is capitalized	5,876,408
Governmental funds do not report depreciation expense which is recorded in the statement of activities	(692,160)
In the statement of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net assets differs from the change in fund balance by the net book value of assets disposed	(30,623)
Governmental funds do not report the net change in accrued interest payable	(14,397)
Delinquent property taxes receivable are not available financial resources and therefore are reported as deferred revenue in the fund financial statements	99,965
Governmental funds do not report the net change in compensated absences	133,566
Bond and refunding bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets	(6,860,000)
Current year bond premiums received are reported as an other financing source in the fund financial statements but is capitalized in the statement of activities	(178,180)
Bond premium is not amortized for fund financial statement purposes but are for governmental activities – current year amortization	10,662
Current year bond issue costs are reported as an expense in the fund financial statements but are capitalized in the statement of activities	67,197
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities – current year amortization	(15,157)
Payments to escrow agent for future bond refunding are an other financing use in the governmental funds, but the payment reduces long term liabilities in the statement of net assets	1,900,000
The repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets	<u>1,725,000</u>
Increase in net assets of governmental activities (Statement of Activities)	\$ <u>1,889,468</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 1,952,000	\$ 1,952,000	\$ 2,072,045	\$ 120,045
Interest	7,500	7,500	1,110	(6,390)
Miscellaneous	-	-	380	380
Total revenues	<u>1,959,500</u>	<u>1,959,500</u>	<u>2,073,535</u>	<u>114,035</u>
Expenditures				
Salaries	818,486	818,486	779,654	38,832
Benefits and taxes	332,642	332,642	259,227	73,415
Administrative fee	42,000	42,000	44,839	(2,839)
Audit expense	10,000	10,000	9,551	449
Board meetings	14,000	14,000	13,559	441
Contractual services	207,000	207,000	192,210	14,790
Equipment rental	1,000	1,000	-	1,000
Insurance and bonds	70,000	70,000	64,614	5,386
Legal ads and notices	10,000	10,000	12,626	(2,626)
Maintenance	30,000	30,000	27,980	2,020
Membership fees	15,000	15,000	9,188	5,812
Miscellaneous	2,074	2,074	12,574	(10,500)
Moving and storage expense	3,000	3,000	1,380	1,620
Office supplies	12,000	12,000	9,056	2,944
Paying agent expense	4,000	4,000	4,582	(582)
Printing	10,000	10,000	7,568	2,432
Planning and engineering	50,000	50,000	6,787	43,213
ROW acquisition and costs	338,000	338,000	37,619	300,381
Property tax	2,000	2,000	1,387	613
Postage	2,000	2,000	2,526	(526)
Staff mileage	2,000	2,000	1,349	651
Training	30,000	30,000	13,062	16,938
Subscriptions	3,000	3,000	2,845	155
Telephone	10,000	10,000	16,084	(6,084)
Utilities	8,000	8,000	11,258	(3,258)
Operations and maintenance	360,000	360,000	291,427	68,573
Furniture and equipment	15,000	15,000	3,562	11,438
Computers, software and mapping	10,000	10,000	13,281	(3,281)
Capital equipment - vehicle	35,000	35,000	34,327	673
Total expenditures	<u>2,446,202</u>	<u>2,446,202</u>	<u>1,884,122</u>	<u>562,080</u>
Excess (deficiency) of revenues over expenditures	\$ (<u>486,702</u>)	\$ (<u>486,702</u>)	\$ <u>189,413</u>	\$ <u>676,115</u>
Prior year fund balance – budget basis	\$ <u>1,231,899</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(1) Organization

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 under 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 reactions 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.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These statements include:

- Presentation of management's discussion and analysis (MD&A) which provides an analysis of the District's overall financial position and results of operations.
- Presentation of financial statements prepared using full accrual accounting for all Authority activities including reporting capital assets and related depreciation.

Other significant accounting policies of the Authority are discussed below:

(a) Reporting Entity

The Authority's basic financial statements include the accounts of all Authority operations which are financially accountable to the Board of Directors. The Authority has no component units.

(b) Government-Wide and Fund Financial Statements

For its government-wide activities, the Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has no business type activities.

The government-wide financial statements (the statement of net assets and the statement of activities) report information based on the Authority as a whole.

The statement of net assets incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts - invested in capital assets net of related debt; restricted net assets, and unrestricted net assets.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(b) Government-Wide and Fund Financial Statements (continued)

The statement of activities indicates the degree to which the direct expenses of a given function are offset by related program revenues. Program revenues include charges for services and noncash capital contributions.

The net cost (by function) is normally covered by general revenues (ad valorem assessments and interest revenue). The Authority does not currently employ indirect cost allocation systems.

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The Authority's activities are all governmental activities and the Authority did not have proprietary or fiduciary funds during the year ended June 30, 2010. The General Fund, the Debt Service Fund, and the Capital Projects Fund have been classified as major funds. There were no non-major funds.

The 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 fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented which briefly explain the differences between the fund financial statements and the government-wide financial statements.

(c) Fund Accounting

The financial activities of the Authority are recorded in individual funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Authority resources are allocated to and accounted for in individual funds based upon the purpose which they are to be spent and the means by which spending activities are controlled. Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the year that are expected to be paid back within the year are included in interfund receivable/payable in the accompanying balance sheet. The Authority's financial activities have been classified into the following governmental funds:

General Fund - The General Fund is the operating fund of the Authority. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for and the payment of, interest and principal on long-term general obligation bonds.

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used for the acquisition and construction of major flood control system projects and related costs.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(d) Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The fund financial statements are presented using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Ad valorem assessments and contract and grant revenue from entities are considered available if collected within thirty days of year end and agreement requirements have been met. Investment earnings are considered available when earned. Other revenues are generally considered measurable and available only when cash is received by the Authority.

(e) Prepaid Expenses

Prepaid expenses consist of insurance costs that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the next fiscal year.

(f) Capital Assets

Capital assets, which include property, equipment, and infrastructure are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets which have a cost of \$5,000 or more at the date of acquisition. Capital assets purchased, constructed, or acquired are carried at historical cost or estimated historical cost. The Authority capitalizes purchased software and has no internally developed software. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal repairs and maintenance are expensed as incurred.

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

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.

Intangibles represent the current year cost of an internally developed process manual which is estimated to have a useful life of 15 years when placed in service.

Construction in progress represents projects for which expenditures have occurred, but which have not been placed in service.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority estimates the useful lives of capital 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
Intangibles	15 years

(g) 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. At June 30, 2010, accrued vested annual leave totaled \$32,411.

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 1,200 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. At June 30, 2010, there was no accrued accumulated sick leave.

The government-wide financial statements present the cost of accumulated annual leave and sick leave as a liability, valued at the current rate of pay.

h) 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.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(i) Fund Balance Reserves and Designations

Reservations of fund balances are created to either (1) satisfy legal covenants that require 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 – represents funds which are restricted to use for debt service

Reserved for Construction Projects – represents funds which are restricted to use for construction projects and related costs

The designation of fund balance reflects tentative plans for the future use of financial resources. The designation for subsequent year expenditures are amounts necessary to balance the 2010-2011 year budget. The amount designated for general budget reserve is in accordance with State budget guidelines and represents 1/12 of budgeted expenditures for the year ending June 30, 2011. 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.

Subsequent to June 30, 2010, the Authority approved a budget adjustment which appropriated the Board designated general reserve. See note 15.

(j) Restricted Net Assets

The Authority records restricted net assets when there are legal limitations imposed on their use by law. These same legal limitations are reflected as reservations of fund balance. If restricted and unrestricted assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

(k) Budgets and Budgetary Accounting

The Authority follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Authority determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Directors, and approved by DFA. The Authority submits a proposed budget to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(2) Summary of Significant Accounting Policies (continued)

(k) Budgets and Budgetary Accounting (Continued)

To meet legal compliance actual expenditures cannot exceed the total budgeted expenditures for the fund. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". All budget appropriations lapse at year end. The Authority does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. Budgetary comparisons presented in these financial statements are on this Non-GAAP cash budgetary basis.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and of revenues and expenses during the reporting period, and where applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

(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 capital expenditures.

(3) Stewardship, Compliance and Accountability

Current year budgeted expenditures and transfers exceeded budgeted revenues in the general fund by \$486,702 and in the Capital projects fund by \$5,012,457. Prior year cash and investment balances were used to complete the budget process for these funds.

(4) Cash

Cash at June 30, 2010 represents amounts deposited in commercial bank accounts and petty cash.

The Authority is authorized to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States government. In accordance with Section 6-10-16, NMSA 1978 Compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year.

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NOTES TO FINANCIAL STATEMENTS
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(4) Cash (continued)

Custodial credit risk is the risk that the deposits are not returned in the event of bank failure. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency, but not in the Authority's name.

At June 30, 2010, the carrying amount of the Authority's cash deposits was \$283,602. The bank balance was \$334,012. Of the bank balance, \$250,000 was covered by federal depository insurance and \$84,012 was collateralized with collateral held in the pledging financial institution's name and are held by an agent of the pledging financial institution. The Authority cash deposit was exposed to custodial risk at June 30, 2010.

(5) Investments

The Authority has adopted an Investment Policy that addresses investment interest rate and credit risks by specifying suitable and authorized investments, defining investment diversification and maturity parameters, and requiring collateralization of investments held at financial institutions.

The Authority's investments at June 30, 2010 consisted of:

- Four accounts in the New Mexico State Treasurer's Local Government Investment Pool (Pool), which are stated at fair value (\$6,596,538), based on quoted market prices as of June 30, 2010.
- Four accounts under the direction of the New Mexico State Treasurer's Local Government Investment Pool upon which certain assets exposed to liquidation litigation were transferred to a Reserve Contingency Fund, which are stated at estimated net recoverable value (\$6,131).
- Certificates of deposit at two local financial institutions which are stated at cost/market value (\$1,000,000).

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 fund were invested. Participation in the local government investment pool is voluntary.

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(5) Investments (continued)

The State Treasurer Local Government Investment Pool Reserve Contingency Fund represents a portion of the Pool that was invested by the New Mexico State Treasurer's Office in the Reserve Primary Fund. The Reserve Primary Fund's net assets value fell below \$1 on September 16, 2008 and the holdings in the fund were frozen. The Reserve Primary Fund has withheld assets from the fund for anticipated and pending litigation. In March, 2009 the Pool's position in the Reserve Primary Fund was transferred to the Reserve Contingency Fund. The State Treasurer's Office cannot anticipate what the actual loss on the Fund may be or when the actual loss may be realized. The Authority during the year ended June 30, 2009 recorded an estimated loss on the fund amounting to \$17,993.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment in the Pool is subject to credit risk. The Pool is rated AAAM, by Standard and Poor's. The Reserve Contingency Fund is not rated and is a non-performing asset.

The certificates of deposit consist of a \$250,000 (fully insured by FDIC) certificate that carries interest at 0.7%, matures December 21, 2010 and another \$750,000 (\$250,000 FDIC insurance) certificate at a separate financial institution that carries interest at 0.33%, and matures November 21, 2010. This \$750,000 certificate is collateralized with collateral held in the pledging financial institution's name and is held by an agent of pledging financial institution. The Authority's certificates of deposit are exposed to custodial and credit risk at June 30, 2010. The Authority's investment policy with regard to certificates of deposit limits its exposure to risk by limiting investments to authorized financial institutions that have met qualification standards and by requiring collateralization or insurance at 102% of face value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The Pool's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2010 the Pool's WAM is 50 days. The Reserve Contingency Fund is a non-rated, non-performing asset, and its WAM cannot be calculated. In accordance with its investment policy, the Authority manages its exposure to declines in fair values on its certificates of deposit by limiting investments to maturities no longer than three years from the date of purchase.

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(5) Investments (continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2010, the Pool investments, the Reserve Contingency Fund, and the Certificates of Deposit were all in U.S. dollar-denominated assets, and as such were not subject to foreign currency risk.

(6) Ad valorem Assessments

Ad valorem assessments are levied each calendar year in November, based on taxable property valuations within the Authority's boundaries as determined by the New Mexico Sandoval County Assessor. The ad valorem assessments are due in two equal installments November 10, and April 10, following the levy, payable to the Sandoval County Treasurer. The ad valorem assessments are collected by the county treasurer and remitted to the Authority on a monthly basis.

Under the modified accrual basis of accounting, all ad valorem assessments collected by the County and remitted to the Authority within thirty days of year end are recorded as a receivable and revenue, with all ad valorem assessments not collected within thirty days following year end being reported as deferred revenue within the governmental funds. Under the full accrual basis of accounting, ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers by the New Mexico Sandoval County Treasurer.

For the year ended June 30, 2010, the ad valorem assessments levied by the Authority were .753 mills for residential and .830 mills for nonresidential property per \$1,000 of taxable value for operating purposes and .87 mills per \$1,000 of taxable value for debt service requirements, respectively. 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. Lien rights are available to the Authority on all delinquent ad valorem assessments.

(7) Interfund Balances

The Authority may incur temporary interfund balances to facilitate expenditure requirements. Balances have been eliminated in the government-wide financial statements.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(8) Capital Assets

The following is a summary of changes in capital assets:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Transfers/ Dispositions</u>	<u>June 30, 2010</u>
Land and easements -				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	<u>24,237,139</u>	<u>2,601,423</u>	<u>(26,302)</u>	<u>26,812,260</u>
Total land and easements	<u>24,465,639</u>	<u>2,601,423</u>	<u>(26,302)</u>	<u>27,040,760</u>
Depreciable property				
Building and improvements	1,255,197	-	2,041,313	3,296,510
Furniture, equipment, and vehicles	343,895	63,098	<u>(15,251)</u>	391,742
Flood control system - Dams, ponds and drainage channels	<u>38,784,788</u>	<u>1,288,935</u>	<u>1,102,434</u>	<u>41,176,157</u>
Total depreciable assets	<u>40,383,880</u>	<u>1,352,033</u>	<u>3,128,496</u>	<u>44,864,409</u>
Less accumulated depreciation:				
Building and improvements	<u>(175,267)</u>	<u>(58,042)</u>	-	<u>(233,309)</u>
Furniture, equipment and vehicles	<u>(173,578)</u>	<u>(33,954)</u>	10,930	<u>(196,602)</u>
Flood control systems- Dams, ponds and drainage channels	<u>(5,920,851)</u>	<u>(600,164)</u>	-	<u>(6,521,015)</u>
Total accumulated depreciation	<u>(6,269,696)</u>	<u>(692,160)</u>	<u>10,930</u>	<u>(6,950,926)</u>
Net depreciable buildings, property, and infrastructure	<u>34,114,184</u>	<u>659,873</u>	<u>3,139,426</u>	<u>37,913,483</u>
Intangibles -Process Manuals	-	140,183	-	140,183
Construction in progress	<u>2,209,848</u>	<u>1,782,769</u>	<u>(3,143,747)</u>	<u>848,870</u>
	<u>\$ 60,789,671</u>	<u>\$ 5,184,248</u>	<u>\$ (30,623)</u>	<u>\$ 65,943,296</u>
Total capital assets, net				

Depreciation expense amounted to \$692,160 for the year ended June 30, 2010 and is included under program expenses of governmental activities in the statement of activities.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(9) 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, 2010 is attributable to ad valorem assessments in the amount of \$489,308.

(10) Long-Term Liabilities

The following changes occurred in long term liabilities during the fiscal year ended June 30, 2010:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Accrued Compensated Absences:				
Payable within one year	\$ 79,405	\$ 20,981	\$ 78,789	\$ 21,597
Payable after one year	<u>86,572</u>	<u>-</u>	<u>75,758</u>	<u>10,814</u>
	<u>165,977</u>	<u>20,981</u>	<u>154,547</u>	<u>32,411</u>
General Obligation Bonds Payable:				
Portion due within one year	1,260,000	1,520,000	1,260,000	1,520,000
Portion due after one year	<u>21,250,000</u>	<u>6,860,000</u>	<u>3,885,000</u>	<u>24,225,000</u>
	<u>22,510,000</u>	<u>8,380,000</u>	<u>5,145,000</u>	<u>25,745,000</u>
	\$ <u>22,675,977</u>	\$ <u>8,400,981</u>	\$ <u>5,299,547</u>	\$ <u>25,777,411</u>

The Authority uses the general fund to liquidate annual leave liabilities. General obligation bonds are paid by the debt service fund.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(10) Long-Term Liabilities (continued)

The Authority has the following general obligation bonds payable as of June 30, 2010:

Series 1998

\$2,500,000, issued June, 1998, with variable interest from 4.7% to 5.3% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005, maturing August 1, 2010. \$ 250,000

Series 2001

\$2,500,000 issued February 2001, with variable interest from 4.25% to 5.5% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2010, shown net of advance refunding of \$1,900,000 made March 2, 2010. 200,000

Series 2005

\$3,000,000, issued February, 2005, with variable interest from 3.0% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005 maturing August 1, 2018. 2,750,000

Series 2005A

\$3,000,000 issued October 25, 2005, with variable interest from 3.7% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2019. 2,375,000

Series 2007

\$4,000,000 issued February 1, 2007, with variable interest from 3.75% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2020 3,880,000

Series 2007A

\$6,000,000 issued October 10, 2007, with variable interest from 3.65% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2008, maturing August 1, 2020 5,430,000

Series 2009

\$4,000,000 issued February 18, 2009, with variable interest from 3.0% to 3.8% paid semi-annually in February and August, principal payments due annually commencing August 1, 2014, maturing August 1, 2022 4,000,000

Series 2010A

\$4,500,000 issued March 2, 2010, with variable interest from 3.0% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2016, maturing August 1, 2023 4,500,000

Refunding Series 2010B

\$2,360,000 issued March 2, 2010, with interest at 3.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2015 2,360,000

\$ 25,745,000

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(10) Long-Term Liabilities (continued)

On March 2, 2010, the Authority used net proceeds (including bond premium) from the issuance of \$2,360,000 in refunding Series 2010B general obligation bonds with an average interest rate of 3% to currently refund \$465,000 of outstanding Series 1999 bonds with an average interest rate of 4.78% and to advance refund (callable August 1, 2010) \$1,900,000 of outstanding Series 2001 bonds with an average interest rate of 4.32%. Advance refunding amounts plus interest were placed into escrow to provide for the future payments on these bonds. As a result, the noted \$1,900,000 of Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The current and advance refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt.

The Authority completed the current redemption and the advance refunding to reduce its total debt service payments over the next 5 years by \$1,060 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$20,100.

The Authority has pledged ad valorem assessment revenues for repayment of the above bonds.

Debt service requirements to maturity are as follows:

<u>Due in Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,520,000	\$ 902,543
2012	1,595,000	864,974
2013-2017	10,235,000	3,291,996
2018-2022	9,970,000	1,362,652
2023-2024	<u>2,425,000</u>	<u>77,575</u>
Total	\$ <u>25,745,000</u>	\$ <u>6,499,740</u>

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(11) Pension Plan – Public Employees Retirement Association (PERA)

Plan Description

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

Funding Policy

Plan members are required to contribute 3.2875% of their gross salary. (The Authority pays 75% of the employee contribution rate of 13.15%) The Authority is required to contribute 19.0125% of the plan member's gross salary. The contribution requirements of plan members and the Authority are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2010, 2009, and 2008 were \$126,699, \$112,966, and \$79,173, respectively, which is equal to the amount of the required contributions for each fiscal year.

(12) Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

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

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

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(12) Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 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.sstate.nm.us

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows for employees who are not members of an enhanced retirement plan:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	1.666%	.833%
2012	1.834%	.917%
2013	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Authority's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$8,688, \$7,344 and \$5,413, respectively, which equal the required contribution for each year.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(13) Deferred Compensation Plan

The Authority has adopted a deferred compensation plan. 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.

(14) Budgetary Basis of Accounting

The Budgetary Comparison Schedules for the governmental funds (NON-GAAP Budgetary Basis) Budget and Actual reflects actual results of operations on the budgetary basis of accounting (cash basis).

The major differences between the budgetary and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when measurable and available (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability was incurred (GAAP).

Adjustments necessary to convert the results of operations at June 30, 2010 from the budget basis to the GAAP basis are shown below:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Excess (deficiency) of revenues over expenditures (Budgetary Basis)	\$ 189,413	\$ (223,481)	\$ (5,466,254)
Adjustments:			
To adjust revenue accruals:			
Prior year	(22,883)	(32,215)	(158,484)
Current year	30,860	35,170	1,034
To adjust expenditure accruals and payments:			
Prior year	54,729	-	352,368
Current year	(25,457)	-	(57,040)
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ <u>226,662</u>	\$ (<u>220,526</u>)	\$ (<u>5,328,376</u>)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

(15) Subsequent Event

On August 23, 2010, a significant storm occurred that caused damage to the Authority's infrastructure. The Authority estimates costs to cleanup and restore the infrastructure could range from \$750,000 to \$1,500,000. The Authority is seeking assistance from governmental entities to partially fund the estimated costs.

In preparation for the needed cleanup and restoration, the Authority has appropriated and increased the fiscal year 2011 budget by the amount of the general fund board designated general reserve in an approximate amount of \$540,000.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 2,232,000	\$ 2,232,000	\$ 2,342,524	\$ 110,524
Interest	<u>6,000</u>	<u>6,000</u>	<u>1,555</u>	(4,445)
Total revenues	<u>2,238,000</u>	<u>2,238,000</u>	<u>2,344,079</u>	<u>106,079</u>
Expenditures				
Debt service:				
Principal	1,260,000	1,725,000	1,725,000	-
Interest	<u>840,647</u>	<u>842,561</u>	<u>842,560</u>	<u>1</u>
Total expenditures	<u>2,100,647</u>	<u>2,567,561</u>	<u>2,567,560</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>137,353</u>	(329,561)	(223,481)	<u>106,080</u>
Other financing sources (uses)				
Refunding bond proceeds	-	2,360,000	2,360,000	-
Payments to escrow agent for future bond refunding	-	-	(1,940,534)	(1,940,534)
Bond premiums	<u>-</u>	<u>-</u>	<u>178,180</u>	<u>178,180</u>
Total other financing sources (uses)	<u>-</u>	<u>2,360,000</u>	<u>597,646</u>	<u>(1,762,354)</u>
Net changes in fund balance	\$ <u>137,353</u>	\$ <u>2,030,439</u>	\$ <u>374,165</u>	\$ <u>(1,656,274)</u>
Prior year fund balance budget basis	\$ <u>1,965,078</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest	\$ 37,500	\$ 37,500	\$ 14,030	\$ (23,470)
Capital grant agreements	157,000	157,000	157,455	455
Other revenue	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
Total revenues	<u>194,500</u>	<u>194,500</u>	<u>171,776</u>	<u>(22,724)</u>
Expenditures				
Bond issuance costs	-	-	67,197	(67,197)
Contractual services	-	-	52,278	(52,278)
Furniture and equipment	-	-	90,443	(90,443)
Capital projects and related costs	<u>5,594,957</u>	<u>10,094,957</u>	<u>5,428,112</u>	<u>4,666,845</u>
Total expenditures	<u>5,594,457</u>	<u>10,094,957</u>	<u>5,638,030</u>	<u>4,456,927</u>
Deficiency of revenues over expenditures	(5,400,457)	(9,900,457)	(5,466,254)	4,434,203
Other Financing Sources				
Equipment and property disposition proceeds	388,000	388,000	91,781	(296,219)
Bond proceeds	<u>-</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Total other financing sources	<u>388,000</u>	<u>4,888,000</u>	<u>4,591,781</u>	<u>(296,219)</u>
Net changes in fund balance	\$ (5,012,457)	\$ (5,012,457)	\$ (874,473)	\$ 4,137,984
Prior year fund balance budget basis	\$ <u>4,998,214</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CASH ACCOUNT AND PLEDGED COLLATERAL
JUNE 30, 2010

<u>WELLS FARGO BANK NM, NA</u>	<u>Checking</u>	<u>Certificate of deposit</u>	<u>Total</u>
Balance per bank	\$ 334,012	\$ 750,000	\$ 1,084,012
Less: FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	\$ <u>84,012</u>	\$ <u>500,000</u>	584,012
50% Collateral requirement			292,006
Pledged Securities, held by the pledging bank's trust but not in the Authority's name			<u>1,263,935</u>
Over (under)			\$ <u>971,929</u>

Reconciliation to financial statements:

Checking account balance	\$ 283,403
Petty cash	<u>200</u>
Reconciled cash balance per financial statements	\$ <u>283,602</u>

Collateral as follows (Securities held by Wells Fargo Bank Northwest NA, GIB Public Funds Collateral Unit, 608 2nd Avenue South, Minneapolis, MN 55479, not in Authority's name):

<u>Description</u>	<u>Cusip #</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral Value</u>
FNMA POOL 948092	31413KXV8	\$ 367,190	6.0%	11/01/37	\$ 398,941
FNMA POOL 961294	31415AUT6	796,610	6.0%	06/01/38	<u>864,994</u>
					<u>1,263,935</u>

(continued)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CASH ACCOUNT AND PLEDGED COLLATERAL
JUNE 30, 2010

FIRST COMMUNITY BANK

Certificate of Deposit, balance per bank	\$ 250,000
Less: FDIC coverage	(<u>250,000</u>)
50% Collateral requirement	-
Pledged Securities	<u>-</u>
Over (under)	\$ <u><u>-</u></u>

(concluded)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2010

JPA # 09-21

PARTICIPANTS: Town of Bernalillo
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

RESPONSIBLE PARTY FOR OPERATIONS: Town of Bernalillo

DESCRIPTION: Plan, design, and construct needed flood control and drainage improvements in Calle Baack in the Town of Bernalillo

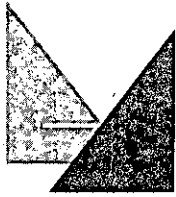
EFFECTIVE DATES: November 17, 2009 until project completion or two years from effective date, whichever comes first.

PROJECT COSTS: Total estimated amount of project: \$ 200,000
Total estimated amount to be contributed by SSCAFCA: \$ 100,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): \$ -

AUDIT RESPONSIBILITY: Town of Bernalillo

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES ARE REPORTED: Town of Bernalillo



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities and each major fund, the budgetary comparisons of the general fund, and the budgetary comparisons of the capital projects fund and the debt service fund presented as supplemental information of Southern Sandoval County Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting (10-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

Mackie, Reid + Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 2, 2010

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Prior Year Findings Reported, Not Repeated

- 9-1 Capitalization procedures
- 9-2 Fixed assets
- 9-3 Documentation of journal entries
- 9-4 Utilization of the GASB 34 fund

Current Year Findings

- 10-1 Budget Adjustment Request for Bond Refunding

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Current Year Finding

10-1 Budget Adjustment Request for Bond Refunding

Condition:

The Authority issued Refunding General Obligation Bonds during the fiscal year in the amount of \$2,360,000. Proceeds from the issuance were used to currently refund \$465,000 in Series 1999 bonds with interest of \$1,913 and to advance refund \$1,900,000 in Series 2001 bonds with interest of \$40,534. The current refunding of \$465,000 in Series 1999 bonds was properly reported as a current expenditure of the Authority.

The Authority requested a BAR (budget adjustment request) for the \$1,913 in interest to be paid currently with the refunding, but had not requested a BAR for the \$465,000 expenditure for bond principal payment, creating an over-expenditure from budget in the debt service fund. When the condition was noted as part of the audit, the Authority was able to obtain an approved BAR from the New Mexico Department of Finance and Administration.

Criteria:

To meet legal compliance, actual expenditures cannot exceed the total budgeted expenditures for the fund. Authority internal control procedures over the review of internal financial statements should be designed to identify any over expenditures on a timely basis.

Effect:

Authority procedures in effect related to the review of budgeted and actual expenditures did not identify the need for a BAR related to the current refunding of bonds in the amount of \$465,000.

Cause:

The Authority was unsure as to how to account for the \$465,000 payment to retire the 1999 bonds.

Recommendation:

Procedures related to the review of internally prepared financial statements should include a review for over expenditure from budget by fund. When unusual transactions have potential to affect the statements, technical assistance should be requested as needed.

Response:

This was the Authority's first bond refunding, and as a result of recording the transaction, the over-expenditure occurred. A procedure will be written and implemented that ensures the appropriate budget adjustments are requested and approved when needed for the unusual and/or infrequent transactions.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
JUNE 30, 2010

An exit conference was held on November 22, 2010, and the contents of this report were discussed. Present at the conference were:

Steve House	Secretary
Donald Rudy	Board Member
David Stoliker, PE	Executive Engineer
Debbie Casaus	Fiscal Services Director
Sandra Parker	Accountant
Jim Van Der Geest, CPA	Independent Auditor
Debra Saunders	Independent Auditor

Financial Statement Preparation

The Authority's financial statements were prepared substantially by the independent auditor, Mackie Reid, and Company, PA.