



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

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

June 30, 2012

atkinson

PRECISE. PERSONAL. PROACTIVE.

TABLE OF CONTENTS

	<u>Page</u>
OFFICIAL ROSTER	iii
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)	3-8
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
BALANCE SHEET	11
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
STATEMENT OF REVENUES AND EXPENDITURES (NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL – GENERAL FUND	15
NOTES TO FINANCIAL STATEMENTS	16-33

TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
INDIVIDUAL FUND BUDGETARY COMPARISON SCHEDULES (NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL	
DEBT SERVICE FUND	34
CAPITAL PROJECTS FUND	35
SUPPLEMENTAL SCHEDULES	
SCHEDULE OF CASH ACCOUNT	36
SCHEDULE OF JOINT POWERS AGREEMENTS	37-38
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39-40
SCHEDULE OF FINDINGS AND RESPONSES	41
EXIT CONFERENCE	42

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

OFFICIAL ROSTER

June 30, 2012

BOARD OF DIRECTORS

Donald Rudy	Chairman
Mark Conkling	Chair Pro Tem
James F. Fahey Jr.	Treasurer
Steve House	Secretary
John Chaney	Director

EXECUTIVE PERSONNEL

Charles Thomas, P.E.	Executive Engineer
Deborah Casaus, CPA	Fiscal Services Director
Sandra Parker	Accountant



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, 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, 2012, 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 capital projects fund presented as supplementary information in the accompanying individual fund statements for the year ended June 30, 2012, 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.

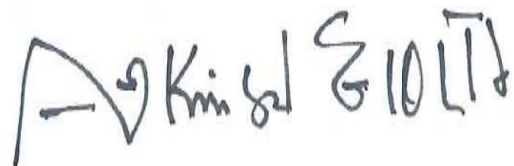
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 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, 2012, 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. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the budgetary comparison schedules for the debt service fund and capital projects fund for the year ended June 30, 2012 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 20, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 20, 2012

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

The Southern Sandoval County Arroyo Flood Control Authority (the “Authority” or “SSCAFCA”) management’s 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 Note B – Summary of Significant Accounting Policies to the Financial Statements, 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, 2012 (FY12) with fiscal year ending June 30, 2011 (FY11) appears in the tables below:

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

Financial Position and Current Year Results of Operations – Continued

Comparative Statement of Net Assets (\$000)

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) 2012 over 2011</u>
Assets			
Current assets	\$ 8,641	\$ 9,306	\$ (665)
Capital assets, net of depreciation	68,128	67,255	873
Other assets	<u>193</u>	<u>216</u>	<u>(23)</u>
 Total assets	 <u><u>\$ 76,962</u></u>	 <u><u>\$ 76,777</u></u>	 <u><u>\$ 185</u></u>
Liabilities			
Current liabilities	\$ 2,298	\$ 2,138	\$ 160
Noncurrent liabilities	<u>23,482</u>	<u>25,370</u>	<u>(1,888)</u>
 Total liabilities	 25,780	 27,508	 (1,728)
Net Assets			
Invested in capital assets net of related debt	43,002	40,528	2,474
Restricted for:			
Debt service	2,306	2,189	117
Capital projects	3,693	4,572	(879)
Unrestricted	<u>2,181</u>	<u>1,980</u>	<u>201</u>
 Total net assets	 <u>51,182</u>	 <u>49,269</u>	 <u>1,913</u>
 Total liabilities and net assets	 <u><u>\$ 76,962</u></u>	 <u><u>\$ 76,777</u></u>	 <u><u>\$ 185</u></u>

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

Financial Position and Current Year Results of Operations – Continued

Comparative Statement of Activities (\$000)

	<u>2012</u>	<u>2011</u>	Increase (Decrease) <u>2012 over 2011</u>
Expenses			
Governmental activities			
General government	\$ (1,862)	\$ (2,446)	\$ 584
Depreciation	(806)	(775)	(31)
Interest expense	(926)	(928)	2
	<u>(3,594)</u>	<u>(4,149)</u>	<u>555</u>
Program Revenue			
Non-cash capital contributions	690	-	690
Operating grants	34	292	(258)
Other revenue	13	2	11
	<u>737</u>	<u>294</u>	<u>443</u>
General Revenue			
Property taxes	4,762	4,561	201
Investment	14	15	(1)
Net (losses) gains on disposition of property and other	(6)	(9)	3
	<u>4,770</u>	<u>4,567</u>	<u>203</u>
Change in Net Assets	1,913	712	1,201
Net assets - beginning of year	<u>49,269</u>	<u>48,557</u>	<u>712</u>
Net assets - end of year	<u>\$ 51,182</u>	<u>\$ 49,269</u>	<u>\$ 1,913</u>

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

Financial Position and Current Year Results of Operations – Continued

The financial position of the Authority has improved somewhat in FY12. This can be seen in the increase in total net assets of approximately \$1.9 million. Capital assets increased by \$.9 million which consists of purchased and donated right-of-way, constructed and donated infrastructure, and increases in intangible, net of depreciation and amortization. The Authority also constructed a flood wall as well as a few small flood control improvements throughout the year. Total liabilities of the Authority decreased by \$1.7 million, which is primarily due to the General Obligation bond principal payment of \$1.6 million and the fact it did not issue any new debt/bonds in FY12.

Property tax revenue in the General Fund increased by approximately \$201,000 in FY12 over FY11. The operational tax rate for FY12 was set at 0.884 mills for residential and 0.906 mills for non-residential property, which was an increase over last year's tax rate. The tax rate was increased by the Department of Finance-Local Government Division due to the decrease in the Authority's assessed valuation. The total assessed value of property within the boundaries of SSCAFCA was \$2,660,138,592 in tax year 2010 (FY11) and \$2,511,738,593 in tax year 2011 (FY12) resulting in a significant decrease of 6.5% in total assessed valuation. The decrease in the assessed valuation of the Authority was due to the re-assessment activities of the Sandoval County Assessor. The total assessed value of taxable property within the boundaries of the Authority has increased an average of 9.06% each year over the past ten years and at an average annual rate of 11.06% over the past five years. Because of the current economic conditions and reassessments by the County Assessor's Office, a conservative negative flat growth rate of 2% will be utilized for budgetary purposes for FY13 and a flat growth rate for the near term. The budget for FY13 assumes a 0% increase in property tax revenues in the General Fund.

The end of year fund balance in the General Fund increased by approximately \$406,000 in FY12 over FY11. The increase is the result of higher revenues than estimated and the restriction of expenditure growth by management during FY12 due to uncertainty about future economic growth.

The end of year fund balance in the Debt Service Fund decreased by approximately \$20,000 in FY12 over FY11 due to an increase in debt service payments of approximately \$120,000 that was partially offset by an increase in property tax revenue.

The end of year fund balance in the Capital Projects Fund was approximately \$3.7 million for FY12 vs. \$4.6 million for FY11, a decrease of approximately \$0.9 million. This decreased fund balance is the result of capital expenditures in this fund. The Authority did not issue any new bonds this fiscal year, but does have a planned sale of \$4.5 million in FY13. Additionally, the Authority received the remainder of grant funds of \$33,000 as reimbursement of 75% of expenditures for a storm event that occurred in August 2010 that was declared an emergency.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

Capital Assets and Long-Term Debt

Capital assets of the Authority as of June 30, 2012 include \$29 million in non-depreciable land and easements. The increase of \$1 million over FY11 represents approximately 84 acres of purchased flood control right-of-way and approximately 900 acres of donated fee-simple right of way and 11 acres of donated easements.

Other capital assets as of the end of FY12 include infrastructure facilities which have an estimated useful life of 70 years and a value of \$34 million, net of accumulated depreciation. Additions to capital assets in FY12 include the construction of a flood wall costing approximately \$400,000, a nature trail costing approximately \$19,000 and donated land and infrastructure with an approximate value of \$690,000. The nature trail mentioned above is the initial phase in a much larger project, the Black Arroyo Open Space. Within the arroyo system in this area is 14 acres of property that have been designated as critical habitat by the U.S. Army Corps. of Engineers. The Authority has acquired additional land holdings with the arroyo system surrounding this property, totaling at present approximately 72 acres. The proximity of the property to an elementary school has raised flood safety concerns, so the Open Space project is being built around a pedestrian bridge and trail system to provide a safe route to school and enhance the quality of life for the surrounding community.

Based on the decline in market values of raw land in the jurisdiction, the Authority chose to focus on acquiring needed right-of-way for the future construction of flood-control facilities. Construction in progress on future infrastructure facilities amounts to \$1,218,000 as of June 30, 2012. The remainder of the Authority's capital assets as of June 30, 2012 is comprised of its office building valued at \$2,895,000, four vehicles and furniture and equipment valued at \$164,000, all net of accumulated depreciation, and various intangible assets valued at \$751,000. The Authority began capitalizing Watershed Management Plans and Facility Plans as intangible assets beginning FY10 as required in a new Governmental Accounting Standards Board Statement.

SSCAFCA has \$25,130,000 outstanding in general obligation bonds as of June 30, 2012 versus \$26,786,000 at June 30, 2011. The decrease is attributed to the bond principal payment of \$1,595,000 made in FY12. The Authority has \$7 million of remaining voter authorization of \$18 million from the November 2008 election. We are at 42% of our bonding capacity. It should be recognized that SCAFCA's bonding capacity was increased through unanimous support by the New Mexico Legislature in 2009, from \$30 million to \$60 million.

Total bonded debt as of June 30, 2012 is made up of eight series of general obligation bonds (Series 2005, 2005A, 2007, 2007A, 2009, 2010A, 2010B, and 2011) which are scheduled to be retired over the next 13 fiscal years. The total proceeds of these eight series of bonds amounts to \$29,360,000, 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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

June 30, 2012

Budgetary Performance

Total general fund expenditures in FY12 were \$1,097,000 less than total appropriations. Various factors contributed to the budget surplus including two positions that were vacant for the part of the year, as well as one position that was filled later than anticipated. 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. Management takes great pride in these cost savings.

Existing staff are also now being utilized in areas where consultants had previously been used resulting in significant budget savings. As examples, staff has completed conceptual design reports on Progress Dam and the Calle Baack storm drain project and is completing design drawings for a permeable surface parking lot, Tract 17 Pond Outlet Improvements and the Montoyas Bank Stabilization. Additionally, staff has completed the Willow Creek Watershed Management Plan and is working on the Calabacillas Watershed Management Plan. When compared to having these services completed by third party consultants, the cost savings to the Authority will exceed \$500,000.

Plans for Future Activities

Due to favorable interest rates, a G.O. bond issue of \$4.5 million for capital projects was issued in July of 2012. The interest rate for these bonds as bid is 1.9%. The Authority will be exploring the possibility of doing a future debt refunding as more debt is retired and outstanding bonds become callable. Such a refinancing transaction would be for the purpose of generating debt service savings as well as producing new dollars to be used for capital projects, although the Authority is currently not considering a bond election until 2016.

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 current economic situation has made the availability of funding for entities which can provide matching costs as well as partnerships with other municipal entities favorable.

As an example, the Authority pursued legislative funding for resolution of a known flooding problem where state highway 448 (NM 448) crosses the Harvey Jones Channel in the Village of Corrales. The Authority was successful and received promised funding of \$383,000 from the state legislature during the 2012 session. Additionally, the Authority partnered with the New Mexico Department of Transportation (NMDOT) to complete improvements to the NM 448 bridge. Under the partnership, the NMDOT is contributing up to \$600,000 towards the project.

The Authority has received preliminary approval to move forward with a Clean Water State Revolving Loan Fund package in October 2012. This package will require the Authority to obligate \$1.25 million of currently available bonding authority from the 2008 bond election which will be coupled with \$750,000 of grant funding. This funding is being used to accelerate resolution of this flooding problem.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 166,148
Investments	7,961,487
Receivables	
Ad volerem assessments	509,678
Interest	1,122
Grant and other	2,000
Bond issue costs, net of accumulated amortization	192,988
Capital assets	
Land and easements	29,114,523
Depreciable buildings, property and infrastructure, net of accumulated depreciation	37,044,350
Intangibles, net of accumulated amortization	751,346
Construction in progress	<u>1,218,115</u>
Total assets	<u><u>\$ 76,961,757</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 17,912
Salaries and benefits payable	18,356
Accrued interest payable	386,791
Accrued compensated absences	
Payable within one year	29,752
Payable after one year	7,394
General obligation bonds payable	
Portion due within one year	1,845,000
Portion due after one year	23,285,000
Bond premium, net of accumulated amortization	<u>189,926</u>
Total current liabilities	<u>25,780,131</u>

NET ASSETS

Invested in capital assets, net of related debt	43,001,396
Restricted	
Capital projects	3,693,106
Debt service	2,305,883
Unrestricted	<u>2,181,241</u>
Total net assets	<u>51,181,626</u>
Total liabilities and net assets	<u><u>\$ 76,961,757</u></u>

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

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

STATEMENT OF ACTIVITIES

Year ended June 30, 2012

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Public Works	
Personnel services	\$ 641,956
Employee benefits	259,607
Planning and engineering	210,435
General and administrative expenses	549,236
Contractual operating and maintenance services	200,684
Depreciation and amortization	806,169
Interest	<u>926,451</u>
Total program expenses	3,594,538
 PROGRAM REVENUES	
Charges for services:	
Other revenues	12,900
Capital contributions	690,018
Grant revenue	<u>34,400</u>
Total program revenues	737,318
 GENERAL REVENUES	
Ad valorem assessments	4,762,101
Investment income	14,389
Loss on equipment and property removal	<u>(6,349)</u>
Total general revenues	<u>4,770,141</u>
 Increase in net assets	1,912,921
 Net assets beginning of the year	<u>49,268,705</u>
 Net assets, end of year	<u><u>\$ 51,181,626</u></u>

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

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2012

	ASSETS			Total
	General	Debt Service	Capital Projects	Governmental Funds
ASSETS				
Cash	\$ 166,148	\$ -	\$ -	\$ 166,148
Investments	1,992,498	2,269,056	3,699,933	7,961,487
Receivables				-
Ad valorem assessments	239,853	269,825	-	509,678
Interest	253	255	614	1,122
Grant and other	2,000	-	-	2,000
Total assets	<u>\$ 2,400,752</u>	<u>\$ 2,539,136</u>	<u>\$ 3,700,547</u>	<u>\$ 8,640,435</u>

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts payable	\$ 10,471	\$ -	\$ 7,441	\$ 17,912
Salaries and benefits payable	18,356	-	-	18,356
Deferred revenue	208,404	233,253	-	441,657
Total liabilities	237,231	233,253	7,441	477,925
 FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	2,305,883	3,693,106	5,998,989
Assigned	2,163,521	-	-	2,163,521
Total fund balances	2,163,521	2,305,883	3,693,106	8,162,510
Total liabilities and fund balances	<u>\$ 2,400,752</u>	<u>\$ 2,539,136</u>	<u>\$ 3,700,547</u>	<u>\$ 8,640,435</u>

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

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**

June 30, 2012

Total fund balance - governmental fund	\$ 8,162,510
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	68,128,334
Delinquent ad valorem assessments and grant receivable are not available to pay current period expenditures and, therefore, are reported as deferred revenues in the fund financial statements.	441,657
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
General obligation bonds payable	\$ (25,130,000)
Accrued interest payable	(386,791)
Accrued compensated absences	<u>(37,146)</u>
Total liabilities	(25,553,937)
Bond issue costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities.	192,988
Bond premiums received are recognized as other financing sources in the period received for fund financial statements but are amortized for governmental activities.	<u>(189,926)</u>
Total net assets (statement of net assets)	<u>\$ 51,181,626</u>

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

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, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Ad valorem assessments	\$ 2,349,130	\$ 2,521,516	\$ -	\$ 4,870,646
Investment income	3,284	2,093	9,012	14,389
Grant revenue	1,054	-	33,346	34,400
Capital contributions	-	-	690,018	690,018
Other revenue	2,350	-	10,550	12,900
Total revenues	2,355,818	2,523,609	742,926	5,622,353
EXPENDITURES				
Current				
Public works	1,870,892	-	13,978	1,884,870
Capital outlay	79,034	-	1,606,614	1,685,648
Debt service				-
Principal	-	1,595,000	-	1,595,000
Interest	-	948,849	-	948,849
Bond issuance costs	-	-	1,284	1,284
Total expenditures	1,949,926	2,543,849	1,621,876	6,115,651
Excess (deficiency) of revenues over expenditures	405,892	(20,240)	(878,950)	(493,298)
OTHER FINANCING SOURCES				
Bond premium	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	405,892	(20,240)	(878,950)	(493,298)
Fund balances, beginning of year	1,757,629	2,326,123	4,572,056	8,655,808
Fund balances, end of year	\$ 2,163,521	\$ 2,305,883	\$ 3,693,106	\$ 8,162,510

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

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**

June 30, 2012

Net change in fund balance - governmental funds	\$ (493,298)
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.	1,685,648
Governmental funds do not report depreciation and amortization expense which is recorded in the statement of activities.	(806,169)
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.	(6,349)
Governmental funds do not report the net change in accrued interest payable.	17,125
Certain receivables are not available financial resources and therefore, are reported as deferred revenue in the fund financial statements.	(108,545)
Governmental funds do not report the net change in compensated absences.	24,236
Bond premium is not amortized for fund financial statement purposes but are for governmental activities - current year amortization.	28,198
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities - current year amortization.	(22,925)
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>1,595,000</u>
Increase in net assets of governmental activities	<u><u>\$ 1,912,921</u></u>

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

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

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

Year ended June 30, 2012

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 2,033,000	\$ 2,033,000	\$ 2,346,589	\$ 313,589
Interest	3,000	3,000	3,287	287
Miscellaneous	-	-	3,404	3,404
Total revenues	2,036,000	2,036,000	2,353,280	317,280
Expenditures				
Salaries	731,791	731,791	665,492	66,299
Benefits and taxes	309,869	309,869	258,705	51,164
Administrative fees	48,000	48,000	48,638	(638)
Audit expense	10,000	10,000	9,350	650
Board meetings	15,000	15,000	10,882	4,118
Contractual services	374,000	374,000	193,492	180,508
Election	22,000	22,000	1,335	20,665
Environmental permitting	50,000	50,000	856	49,144
Equipment rental	1,000	1,000	-	1,000
Insurance and bonds	85,000	85,000	72,601	12,399
Legal ads and notices	15,000	15,000	7,464	7,536
Maintenance	72,000	72,000	32,675	39,325
Membership fees	15,500	15,500	7,276	8,224
Miscellaneous	4,848	4,848	-	4,848
Moving and storage expense	3,000	3,000	1,440	1,560
Office supplies	12,000	12,000	5,630	6,370
Paying agent expense	5,000	5,000	2,105	2,895
Printing	15,000	15,000	6,432	8,568
Planning and engineering	75,000	75,000	32,792	42,208
ROW acquisition and costs	250,000	250,000	255,992	(5,992)
Property tax	15,000	15,000	4,074	10,926
Postage	3,500	3,500	2,256	1,244
Staff mileage	2,000	2,000	376	1,624
Training	28,000	28,000	9,096	18,904
Subscriptions	3,000	3,000	535	2,465
Telephone	16,000	16,000	13,555	2,445
Utilities	13,000	13,000	6,343	6,657
Operations and maintenance	735,000	735,000	256,787	478,213
Furniture and equipment	5,000	5,000	4,302	698
Computers, software and mapping	35,000	35,000	26,108	8,892
Capital furniture and equipment	65,000	65,000	-	65,000
Total expenditures	3,034,508	3,034,508	1,936,589	1,097,919
Excess (deficiency) of revenues over expenditures	<u>\$ (998,508)</u>	<u>\$ (998,508)</u>	<u>\$ 416,691</u>	<u>\$ 1,415,199</u>
Prior year fund balance - budget basis	<u>\$ 1,757,629</u>			

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

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A – NATURE OF ORGANIZATION

The State of New Mexico Southern Sandoval County Arroyo Flood Control Authority (the Authority) was created by the Arroyo Flood Control Act and is governed by such New Mexico law 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Authority have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). 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:

1. 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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. 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.

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, operating grant revenue and noncash capital contributions when received. When applicable, the effect of interfund activity is removed from the Statement of Net Assets in order to avoid a grossing-up effect on assets and liabilities within the statements.

The net cost (by function) is normally covered by general revenues (as 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, 2012. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Fund Accounting

The financial transactions 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 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.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources 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.

4. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. 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 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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Prepaid Expenses

Prepaid expenses, if any, 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.

6. Capital Assets

Capital assets, which include property, equipment, intangible assets, 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 and an expected useful life greater than one year. 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, which have a cost of \$5,000 or more at date placed in service, represent the costs of process and operations and maintenance manuals, watershed management plans, drainage facility plans, and emergency action plans. Intangibles are amortized on a straight-line basis over estimated useful lives of 10 years.

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

Depreciation and amortization 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:

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Capital Assets – Continued

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	10 years

7. 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 a 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, 2012, accrued vested annual leave totaled \$37,146.

Qualified employees are entitled to accumulate sick leave. Sick leave accrues at the rate of one hundred four hours per year. Sick leave hours in excess of 1,200 hours shall be forfeited at the end of each calendar year. Upon termination, all accumulated sick leave will be forfeited. At June 30, 2012, there was no accrued accumulated sick leave.

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

8. 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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Fund Balances

Effective July 1, 2010, the Authority adopted GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The standard establishes and defines the following categories:

- Nonspendable – amounts that cannot be spent because they are either not spendable form or are legally or contractually required to be maintained intact.
- Restricted – amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to formal action of the government’s highest decision making authority.
- Assigned – amounts that are intended to be used for specific purposes, but are neither restricted nor committed.
- Unassigned – remaining general funds balances not restricted, committed, or assigned.

Generally, the Authority would first apply committed resources when an expense is incurred for purposes for which both committed, assigned, or unassigned fund balances are available.

As of June 30, 2012, the debt service fund contains the restricted funds available for debt service and the capital projects fund contains the restricted funds available for construction projects and related costs.

As of June 30, 2012, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2013 (\$915,085), and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2013 (\$240,840). The Authority also assigns a portion of fund balance for specific future use, not available for appropriation or expenditure (\$1,007,596). The Board of Directors of the Authority via resolution is authorized to assign fund balances that the Authority intends to use for specific purposes.

10. 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 restrictions of fund balance. If restricted and unrestricted net assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. 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 the State of New Mexico Department of Finance and Administration (DFA). The Authority submits a proposed budget to the Local Government Division of the DFA for the fiscal year commencing the following July 1. The DFA must approve the budget prior to its legal enactment.

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.

12. Use of Estimates

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

13. 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 when received. For the year ended June 30, 2012, donated assets amounted to \$690,018 and are reported as capital contributions in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Current year budgeted expenditures and transfers exceeded budgeted revenues in the general fund by \$998,508, in the debt service fund by \$285,949, and in the capital projects fund by \$4,641,428. Prior year cash and investment balances were used to complete the budget process for these funds.

NOTE D – CASH

Cash at June 30, 2012 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.

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, 2012, the carrying amount of the Authority's cash deposits was \$165,948. The bank balance was \$233,680. All of the bank balance was covered by federal depository insurance.

NOTE E – 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, 2012 consisted of four accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value (\$7,961,487), based on quoted market prices as of June 30, 2012.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE E – INVESTMENTS – CONTINUED

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 Pool is voluntary.

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.

Interest rate risk is the risk that changes in interest rates that 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, 2012, the Pool's WAM is 60 days. In accordance with its investment policy, the Authority, when applicable, manages its exposure to declines in fair values on certificates of deposit by limiting investments to maturities no longer than three years from the date of purchase.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2012, the Pool investments were all in U.S. dollar-denominated assets, and as such were not subject to foreign currency risk.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE F – 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 revenue and all ad valorem assessment not collected within thirty days following year end are 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, 2012, the ad valorem assessments levied by the Authority were .844 mills for residential and .906 mills for nonresidential property per \$1,000 of taxable value for operating purposes and 1.023 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.

NOTE G – INTERFUND BALANCES

The Authority may incur temporary interfund balances to facilitate expenditure requirements. Balances have been eliminated in the government-wide financial statements. As of June 30, 2012, the Authority had no interfund balances outstanding.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE H – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	June 30, 2011	Additions	Deletions	June 30, 2012
Land and easements				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	27,795,703	1,094,267	(3,947)	28,886,023
Total land and easements	28,024,203	1,094,267	(3,947)	29,114,523
Depreciable assets				
Building and improvements	3,296,510	-	-	3,296,510
Furniture, equipment and vehicles	392,863	16,942	(12,109)	397,696
Flood control system - Dams, ponds and drainage channels	41,227,256	485,216	-	41,712,472
Total depreciable assets	44,916,629	502,158	(12,109)	45,406,678
Less accumulated depreciation				
Building and improvements	(317,217)	(83,908)	-	(401,125)
Furniture, equipment and vehicles	(205,700)	(36,982)	9,707	(232,975)
Flood control system - Dams, ponds and drainage channels	(7,126,942)	(601,286)	-	(7,728,228)
Total accumulated depreciation	(7,649,859)	(722,176)	9,707	(8,362,328)
Depreciable assets, net	37,266,770	(220,018)	(2,402)	37,044,350
Intangibles	758,065	128,748	-	886,813
Less accumulated amortization	(51,473)	(83,994)	-	(135,467)
Intangibles, net	706,592	44,754	-	751,346
Construction in progress	1,257,643	489,228	(528,756)	1,218,115
Total capital assets, net	<u>\$ 67,255,208</u>	<u>\$ 1,408,231</u>	<u>\$ (535,105)</u>	<u>\$ 68,128,334</u>

Depreciation and amortization expense amounted to \$806,169 for the year ended June 30, 2012 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 – CONTINUED

June 30, 2012

NOTE I – 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, 2012 is attributable to ad valorem assessments receivable in the amount of \$441,657.

NOTE J – LONG-TERM LIABILITIES

The following changes occurred in long term liabilities during the fiscal year ended June 30, 2012:

	June 30, 2011	Additions	Deletions	June 30, 2012
Accrued compensated absences				
Payable within one year	\$ 39,549	\$ 29,811	\$ (39,608)	\$ 29,752
Payable after one year	21,832	-	(14,438)	7,394
	61,381	29,811	(54,046)	37,146
General obligation bonds payable				
Portion due within one year	1,595,000	1,845,000	(1,595,000)	1,845,000
Portion due after one year	25,130,000	-	(1,845,000)	23,285,000
	26,725,000	1,845,000	(3,440,000)	25,130,000
	<u>\$ 26,786,381</u>	<u>\$ 1,874,811</u>	<u>\$ (3,494,046)</u>	<u>\$ 25,167,146</u>

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

The Authority has the following general obligation bonds payable as of June 30, 2012:

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE J – LONG-TERM LIABILITIES– CONTINUED:

Series 2005

\$3,000,000 issued February 2005, with variable interest from 3.00% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005, maturing August 1, 2018. \$ 2,550,000

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. 2,175,000

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, 2009, maturing August 1, 2020. 3,255,000

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. 4,680,000

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 of 3.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2015. 1,470,000

Series 2011

\$2,500,000 issued March 1, 2011, with variable interest from 3.5% to 3.75% paid semi-annually in February and August, principal payments due annually commencing August 1, 2019, maturing August 1, 2024. 2,500,000

\$ 25,130,000

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

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE J – LONG-TERM LIABILITIES – CONTINUED

Debt service requirements to maturity are as follows:

<u>Due in Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,845,000	\$ 894,474
2014	1,865,000	827,674
2015	2,025,000	755,949
2016	2,275,000	675,836
2017	2,225,000	595,567
2018-2022	10,870,000	1,779,902
2023-2026	4,025,000	173,200
Total	<u>\$ 25,130,000</u>	<u>\$ 5,702,602</u>

NOTE K – COMMITMENTS

The Authority leases a copier under a three year, non-cancellable agreement with a local office supply company. The lease was executed December 30, 2010 and expires December 30, 2013. Monthly payments of \$387 are required throughout the lease term. Payments made under this agreement were \$4,644 during the year ended June 30, 2012. Minimum payments are as follows:

<u>Due in Year Ending June 30,</u>	<u>Checking</u>
2013	\$ 4,644
2014	2,322
	<u>\$ 6,966</u>

NOTE L – 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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

**NOTE L – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) –
CONTINUED**

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 gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirement may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$120,862, \$106,899, and \$126,699, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE M – 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.

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.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

**NOTE M – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN –
CONTINUED**

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 additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary and each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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>
2013	2.00%	1.00%

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 contribution can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$11,754, \$10,532, and \$8,688, respectively, which equal the required contributions for each year.

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE N – 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.

NOTE O – BUDGETARY BASIS OF ACCOUNTING

The budgetary comparison schedules for the governmental funds (Non-GAAP Budgetary Basis) budget and actual reflects 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, 2012 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)	\$ 416,691	\$ (24,474)	\$ (960,577)
Adjustments			
To adjust revenue accruals			
Prior year	(29,234)	(32,593)	(992)
Current year	33,702	36,827	33,960
To adjust expenditure accruals and payments			
Prior year	13,560	-	56,100
Current year	<u>(28,827)</u>	<u>-</u>	<u>(7,441)</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)	<u>\$ 405,892</u>	<u>\$ (20,240)</u>	<u>\$ (878,950)</u>

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2012

NOTE P – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 2012, the date which the financial statements were available to be issued.

The Authority issued Series 2012 General Obligation Bonds on August 1, 2012. The bonds were issued in the amount of \$4,500,000. The bonds carry an interest rate of 2% and mature in annual increments commencing August 1, 2013, fully maturing on August 1, 2025. Interest payments are due semi-annually on February 1 and August 1 on all outstanding bonds. The purpose of the bond issue is to complete flood control projects and ongoing maintenance within the Authority's jurisdiction.

NOTE Q – NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has published statements No. 67, *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*. These standards revise existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Authority is a participating member of the Public Employees Retirement Board (PERA), a multiemployer cost sharing plan. See Note L. Other changes arising from these statements are significant and the Authority will comply with these changes as implementation date for statement No. 68, most relevant to the Authority is for FY 2014. The current status of the unfunded liability for PERA is \$4.97 billion based on the most recently issued audited financial statement at June 30, 2011.

SUPPLEMENTARY INFORMATION

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, 2012

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 2,255,500	\$ 2,255,500	\$ 2,517,201	\$ 261,701
Interest	2,400	2,400	2,174	(226)
Total revenues	2,257,900	2,257,900	2,519,375	261,475
Expenditures				
Debt service				
Principal	1,595,000	1,595,000	1,595,000	-
Interest	948,849	948,849	948,849	-
Total expenditures	2,543,849	2,543,849	2,543,849	-
Deficiency of revenues over expenditures	(285,949)	(285,949)	(24,474)	261,475
Other financing sources				
Bond premiums	-	-	-	-
Net changes in fund balance	<u>\$ (285,949)</u>	<u>\$ (285,949)</u>	<u>\$ (24,474)</u>	<u>\$ 261,475</u>
Prior year fund balance - budget basis	<u>\$ 2,326,123</u>			

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, 2012

	Budget Original	Budget Final	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Interest	\$ 10,000	\$ 10,000	\$ 9,390	\$ (610)
Grant revenue	-	-	-	-
Other	-	-	10,550	10,550
Total revenues	10,000	10,000	19,940	9,940
Expenditures				
Bond issuance costs	-	-	1,284	(1,284)
Capital projects and related costs	4,651,428	4,651,428	979,233	3,672,195
Total expenditures	4,651,428	4,651,428	980,517	3,670,911
Deficiency of revenues over expenditures	(4,641,428)	(4,641,428)	(960,577)	3,680,851
Other financing sources				
Bond proceeds	-	-	-	-
Net changes in fund balance	<u>\$ (4,641,428)</u>	<u>\$ (4,641,428)</u>	<u>\$ (960,577)</u>	<u>\$ 3,680,851</u>
Prior year fund balance - budget basis	<u>\$ 4,572,056</u>			

SUPPLEMENTAL SCHEDULES

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

SCHEDULE OF CASH ACCOUNT

June 30, 2012

<u>WELLS FARGO BANK NM, NA</u>	<u>Checking</u>
Balance per bank	\$ 233,380
Less: FDIC coverage	<u>(233,380)</u>
Total uninsured public funds	<u>\$ -</u>
Reconciliation to financial statements	
Balance per bank	\$ 233,380
Less outstanding checks	<u>(67,432)</u>
Checking account balance	165,948
Petty cash	<u>200</u>
Reconciled cash balance per financial statements	<u>\$ 166,148</u>

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

SCHEDULE OF JOINT POWERS AGREEMENTS

June 30, 2012

JPA # 10-32

PARTICIPANTS: Village of Corrales
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

RESPONSIBLE PARTY FOR OPERATIONS: Village of Corrales

DESCRIPTION: Plan, design, and construct drainage improvements in Village of Corrales to address flooding and soil erosion issues affecting Salce Park.

EFFECTIVE DATES: October 4, 2010 until project completion or two years from effective date, whichever is later.

PROJECT COSTS: Total estimated amount or project: \$ 400,000
Total estimated amount to be contributed by SSCAFCA: \$ 400,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): \$ 5,692

AUDIT RESPONSIBILITY: Village of Corrales

GOVERNMENT AGENCY WHERE REVENUES
AND EXPENDITURES ARE REPORTED: Village of Corrales

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

SCHEDULE OF JOINT POWERS AGREEMENTS – CONTINUED

June 30, 2012

JPA # 11-09

PARTICIPANTS: Rio Rancho Public Schools
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

RESPONSIBLE PARTY FOR OPERATIONS: Rio Rancho Public Schools

DESCRIPTION: Plan, design, and construct two demonstration storm water systems in the Joe Harris Elementary School in the city of Rio Rancho.

EFFECTIVE DATES: June 24, 2011 until project completion or four years from effective date, whichever comes first.

PROJECT COSTS: Total estimated amount or project: \$ 35,000
Total estimated amount to be contributed by SSCAFCA: \$ 35,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): None

AUDIT RESPONSIBILITY: Rio Rancho Public Schools

GOVERNMENT AGENCY WHERE REVENUES
AND EXPENDITURES ARE REPORTED: Rio Rancho Public Schools



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

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

We have audited the financial statements of the governmental activities, 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 supplementary information of Southern Sandoval County Arroyo Flood Control Authority (the Authority), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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.

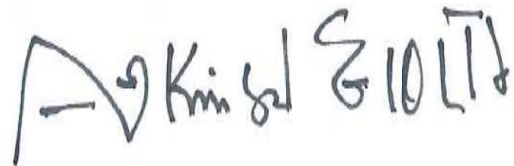
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Atkinson & Co. Ltd.

Albuquerque, New Mexico
November 20, 2012

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? No

Significant deficiencies identified not considered
to be material weaknesses? No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

CURRENT YEAR FINDINGS

None

STATUS OF PRIOR YEAR FINDINGS

11-1 Capitalization procedures (material weakness) – Resolved

State of New Mexico
Southern Sandoval County Arroyo Flood Control Authority

EXIT CONFERENCE

June 30, 2012

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

* * * * *

An exit conference was held on November 13, 2012, and attended by the following:

For Southern Sandoval County Arroyo Flood Control Authority:

James F. Fahey, Jr.	Board Treasurer
Charles Thomas, P.E.	Executive Engineer
Debbie Casaus, CPA	Fiscal Services Director
Sandra Parker	Accountant

For Atkinson & Co., Ltd.:

Martin Mathisen, CPA, CGFM	Shareholder/Audit Director
James Hartogensis, CPA, CGFM	Senior Audit Manager

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