



# **Flood Control Today for a Safe Tomorrow**

*State of New Mexico  
Southern Sandoval County  
Arroyo Flood Control Authority*

*Financial Statements and Required  
Supplementary Information  
With Accompanying Auditor's Reports  
For the Year Ended June 30, 2013*



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**TABLE OF CONTENTS**  
**June 30, 2013**

	Exhibit / Schedule	Page
<b>INTRODUCTORY SECTION:</b>		
Table of Contents		5
Official Roster		6
<b>FINANCIAL SECTION:</b>		
Independent Auditors' Report		10
Management's Discussion and Analysis		12
<b>BASIC FINANCIAL STATEMENTS:</b>		
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</b>		
Statement of Net Position	A-1	22
Statement of Activities	A-2	25
<b>FUND FINANCIAL STATEMENTS:</b>		
Balance Sheet - Governmental Funds	B-1	26
Reconciliation of the Balance Sheet to the Statement of Net Position		27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	B-2	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		29
<b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND</b>	C-1	31
<b>NOTES TO FINANCIAL STATEMENTS</b>		33
<b>SUPPLEMENTARY INFORMATION:</b>		
<b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL</b>		
Debt Service Fund	B-1	56
Capital Projects Fund	B-2	57
<b>SUPPORTING SCHEDULES:</b>		
Schedule of Collateral Pledged by Depository for Public Funds	I	60
Schedule of Deposit and Investment Accounts	II	61
<b>COMPLIANCE SECTION:</b>		
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>		64
Schedule of Findings and Responses	III	67
<b>OTHER DISCLOSURES:</b>		69

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**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Official Roster  
June 30, 2013

<u>Name</u>		<u>Title</u>
	<u>Board of Directors</u>	
Donald Rudy		Chariman
Mark Conkling		Chair Pro Tem
James F. Fahey Jr.		Tresurer
Steve House		Secretary
John Chaney		Director
	<u>Officials</u>	
Charles Thomas, P.E.		Executive Engineer
Deborah Casaus, CPA		Fiscal Services Director

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of Southern Sandoval County Arroyo Flood Control Authority (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of the budgetary comparisons for the major capital projects fund and debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## 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 Authority as of June 30, 2013, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 19 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements and the budgetary comparisons. Supporting Schedules I and II in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority.

Supporting Schedules I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Supporting Schedules I and II are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
October 17, 2013

# Southern Sandoval County Arroyo Flood Control Authority

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## Management Discussion and Analysis For the Fiscal Year Ending June 30, 2013

Our discussion and analysis of the Southern Sandoval County Arroyo Flood Control Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements, which are listed in the table of contents.

The discussion and analysis, as well as the Statement of Net Position and Statement of Activities, provide a review of the Authority's overall financial activities, using the accrual basis of accounting, for the year ending June 30, 2013. All of the current year's revenue's and expenses are taken into account regardless of when cash is received or paid. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the Authority as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

In addition to the new reporting, this annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report, The Independent Auditor's 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, and a Schedule of Findings and Responses.

### **About Southern Sandoval County Arroyo Flood Control Authority**

To completely understand the financial discussion of the Authority, it is important to understand the nature of the Authority. Sandoval County includes the City of Rio Rancho, the Town of Bernalillo, and the Village of Corrales within its borders. For these communities, and the nonincorporated areas of Sandoval County within the Authority's purview, the Authority provides watershed management, education and enrichment services, and construction and maintenance of flood control infrastructure.

The Authority's mission is to protect citizens and property by implementing proven flood control solutions that:

- manage our watersheds prudently for future generations
- enhance the quality of life
- create the most appealing multi-use facilities
- set an example of quality, integrity, leadership, and professionalism
- educate the public concerning flood hazards
- administer public funds prudently

### **SSCAFCA Goals and Commitments:**

Goal #1: To provide flood protection up to the 100 year storm for the public health, safety and welfare of residents and properties within its boundaries.

Goal #2: To recognize the value of land purchased or controlled for floodways as areas with multi-use potential.

Goal #3: To reduce sediment and erosion within the boundaries of the flood control authority.

Goal #4: To assist in the coordination of flood control with other entities for the common good of the public.

# Southern Sandoval County Arroyo Flood Control Authority

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Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

## **SSCAFCA Goals and Commitments (continued):**

During the past fiscal year and in the year to come, SSCAFCA has four major goals, three planned and one unplanned. SSCAFCA is continuing an aggressive approach to property acquisition for future flood control facilities. Although the real estate market is showing some signs of improvement in residential and commercial development, land values have continued to remain relatively flat following the recent historical economic downturn.

We see continued acquisition of all available property as a high priority while property values continue to remain low. SSCAFCA has pursued a more technical re-evaluation of all proposed facilities to more accurately determine the geometry of the proposed facility and match it to available land resources. In order to raise the level of confidence during the property acquisition phase, we are incorporating land surface topography and updating the hydrologic models to ensure we are targeting the proper locations and the correct facility footprint.

The second major focus is a continuation of the strategy to pursue external funding sources to match with our local bond funds. SSCAFCA is continuing to pursue state capital outlay funds, for the third consecutive year, and has successfully received funding from the State Water Trust Board, the NM Environment Department with a Clean Water Revolving Loan Fund grant/loan combination, as well as FHWA funding through the MRCOG for two separate projects, the Harvey Jones Channel Improvements and the Black Arroyo Open Space project. SSCAFCA has active applications in to the US Army Corps of Engineers (USACE) and the Federal Emergency Management Agency (FEMA) in their Hazard Mitigation Grant Program (HGMP). In addition to these sources, SSCAFCA continues to apply for other federal grants.

The final planned focus is to make actual construction of flood control facilities a priority. From 2008 through the present, only one flood control facility (Sunset Dam) has been constructed, with the recent historical efforts focused on planning. SSCAFCA is targeting construction at up to five separate locations during the current fiscal year (Harvey Jones Channel Improvements, the Lower Montoyas and Lomas Negras Water Quality facilities, Montoyas Bank Stabilization and the Unnamed Arroyo Water Quality Feature) and has targeted additional projects at a rate of two per year for FY 15 and 16.

The one unplanned activity is recovery from the record setting storms experienced in July and September of 2013. Although none of SSCAFCA's existing facilities failed during these storm events, the storms caused significant damage to many of our facilities and generated well over 300,000 cubic yards of sediment which needs to be removed to re-establish the capacity of our facilities. Currently we have negotiated an agreement with Waste Management and are hauling a large portion of the sediment to the local landfill where it will be used as cover material during closure of waste cells.

## **Significant Financial Highlights for the Year Ending June 30, 2013**

The overall Net Position of the Authority increased from \$51,181,626 for the year ending June 30, 2012 to \$53,594,435 for the year ending June 30, 2013. This represents an increase in net position of \$2,412,809. Total cash and investment increased by \$3,561,801 primarily resulting from cash inflow in the debt service fund from bonds issued during the year. Total liabilities increased by \$2,725,119 resulting from the net effect of debt payments and issuances, and changes in short-term liabilities.

# Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

## GOVERNMENT WIDE FINANCIAL STATEMENTS

### Statement of Net Position

The Statement of Net Position is prepared using the accrual method of accounting. This statement shows that the Authority has total net position of \$53,585,079 at June 30, 2013. The Authority has \$11,689,436 in cash and investments on hand as of June 30, 2013 compared to \$2,531,041 in accounts payable and other current liabilities. Net Position totaling \$9,468,542 is "restricted" for debt service and capital projects (\$4,489,912 and \$4,978,630, respectively). Net Position totaling \$5,136,180 is "unrestricted". The Authority's overall financial position improved between 2012 and 2013. Capital assets increased by \$1,580,045, due to increases in land and infrastructure for current and planned flood control facilities.

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Cash and Investments	\$ 8,127,635	\$ 11,689,436
Other Assets	705,788	692,514
Capital and Intangible Assets, net of depreciation and amortization	68,128,334	69,717,735
<b>Total Assets</b>	<b><u>\$ 76,961,757</u></b>	<b><u>\$ 82,099,685</u></b>
<b>Liabilities</b>		
Current Liabilities	2,297,811	2,531,041
Long Term Liabilities	23,482,320	25,974,209
<b>Total Liabilities</b>	<b><u>\$ 25,780,131</u></b>	<b><u>\$ 28,505,250</u></b>
<b>Net Position</b>		
Net Investment in Capital Assets	43,001,396	38,989,713
Restricted	5,998,989	9,468,542
Unrestricted	2,181,241	5,136,180
<b>Total Net Position</b>	<b><u>\$ 51,181,626</u></b>	<b><u>\$ 53,594,435</u></b>

GASB 34 rules now require public entities to depreciate and amortize, as appropriate, capital assets. This statement includes accumulated depreciation of the Authority's capital assets in the amount of \$9,084,078, and accumulated amortization of \$225,649. The Authority utilized a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

# Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

## Statement of Activities

The Statement of (Governmental) Activities is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the Authority's net position for the fiscal year ending June 30, 2013. As of June 30, 2013 the Authority had net position of \$53,594,435. The beginning total net position for the 2013 fiscal year is \$51,181,626 reflecting an increase in total net position of \$2,412,809 for the year ending June 30, 2013. The increase is primarily attributable to the acquisition of capital assets, issuance of debt, and receipt of property tax revenues. The Authority also realized a reduction in expenses of \$44,624. Otherwise, operations of the Authority did not change significantly from the prior year.

	June 30, 2012	June 30, 2013
<b>Expenses for Governmental Activities</b>	\$ 3,594,538	\$ 3,549,914
Less Charges for Services	12,900	-
Less Capital Grants and Contributions	724,418	773,089
<b>Net (Expenses) Revenues and Changes in Net Position</b>	<b>(2,857,220)</b>	<b>(2,776,825)</b>
 <b>General Revenues</b>		
Taxes - general, debt service, capital projects	4,762,101	5,174,923
Interest and Earnings on Investments	14,389	14,354
Miscellaneous	-	3,053
Loss on disposal on capital assets	(6,349)	(2,696)
<b>Subtotal, General Revenues</b>	<b>4,770,141</b>	<b>5,189,634</b>
 <b>Changes in Net Position</b>	<b>1,912,921</b>	<b>2,412,809</b>
 <b>Net Position - Beginning</b>	<b>49,268,705</b>	<b>51,181,626</b>
 <b>Net Position - Ending</b>	<b>\$ 51,181,626</b>	<b>\$ 53,594,435</b>

## FUND FINANCIAL STATEMENTS

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances guides the reader to a meaningful overall view for the Authority's revenue, expenditures and changes in fund balances. Total revenues were \$6,012,862. Total expenditures for the Authority were \$6,987,962. The Authority also received bond proceeds of \$4,500,000 during FY 2012. Total ending fund balance was \$11,721,658, for an increase of \$3,559,148 from the prior year.

### Multi-Year Authority Revenues and Expenditures

A multi-year view of overall Authority revenues and expenditures indicates significant growth in both areas. The growth of both revenues and expenditures are commensurate with the growth of the local communities, resulting in higher property tax revenues and an increased need for flood control facilities in new developments and as existing infrastructure becomes overwhelmed.

Year	Total Revenues *	Increase %	Total Expenses *	Increase %
2008-2009	12,103,239	-25%	12,748,566	-6%
2009-2010	12,751,922	5%	11,035,982	-13%
2010-2011	7,346,003	-42%	6,559,060	-41%
2011-2012	5,622,353	-23%	6,115,651	-7%
2012-2013	10,547,110	88%	6,987,962	14%

Note: Revenues include proceeds from and premiums on General Obligation Bonds and exclude cash carryovers; Expenditures include capital outlays.

# Southern Sandoval County Arroyo Flood Control Authority

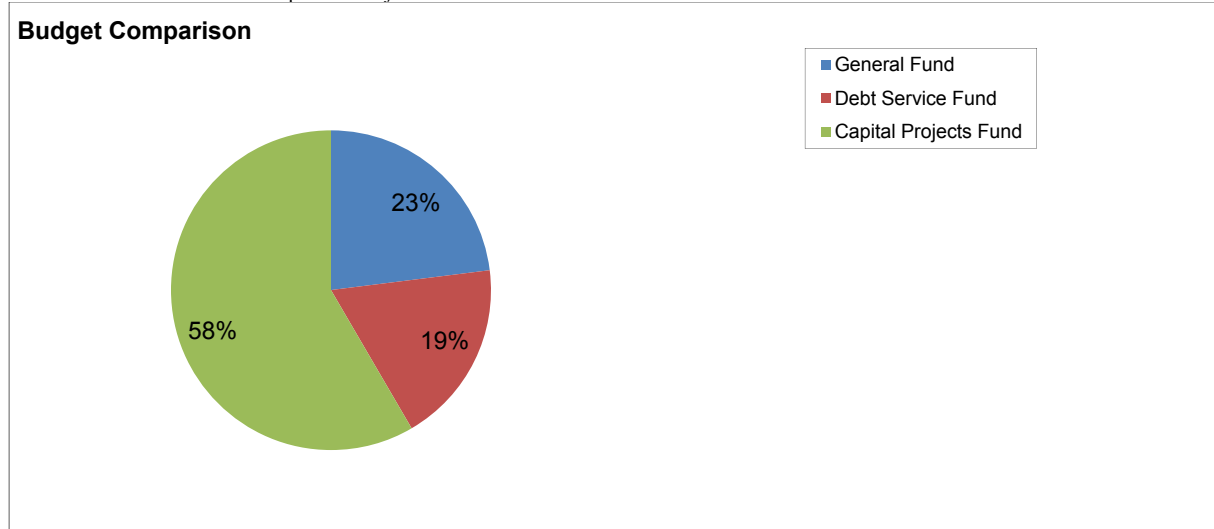
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

## The Budget

Authority budgets reflect the same growth as seen in the revenue and expenditures of the Authority. The State of New Mexico local government agency budget process is defined under state law and regulation. To enhance the process of developing a budget at the Authority level, the Authority utilizes goals and objectives defined by the Authority's Board, community input meetings, long term plans including watershed management plans and input from various staff groups to develop to the Authority's budget. Authority priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are the General Fund, the Debt Service Fund, and the Capital Projects Fund. The following graphics and tables show the fiscal relationship of the major funds.



The reader will note that the General Fund represents 23% of the total fund budgeted expenditure amount. This fund provides the salary and benefits for the operations of the Authority, as well as most maintenance, storm clean-up, and education outreach services.

Revenue from this fund is substantially derived from property taxes assessed on property owners within the bounds of the area served by the Authority. The General Fund is explored later in the Management Discussion and Analysis.



# Southern Sandoval County Arroyo Flood Control Authority

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## Management Discussion and Analysis For the Fiscal Year Ending June 30, 2013

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2013. Detailed budget performance is examined through the Budgetary Comparison Statement for each major fund.

### MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

Fund Type	Final Budget	Actual	Variance
General	3,386,497	1,704,070	1,682,427
Debt Service	2,739,475	2,739,475	-
Capital Projects	8,599,557	1,729,357	6,870,200

The General Fund expenditures remained favorable to the final budget by \$1,682,427 or 50%. This difference was primarily in amounts budgeted for severe storm clean-up that was not needed during the 2012-13 fiscal year.

All funds fell within the regulatory criteria set by the State of New Mexico, which requires that budget expenditures be within the authorization of the approved budget.

#### **The General Fund**

The General Fund revenues represents \$2,108,958 of the total \$6,012,862 in overall Authority revenues.

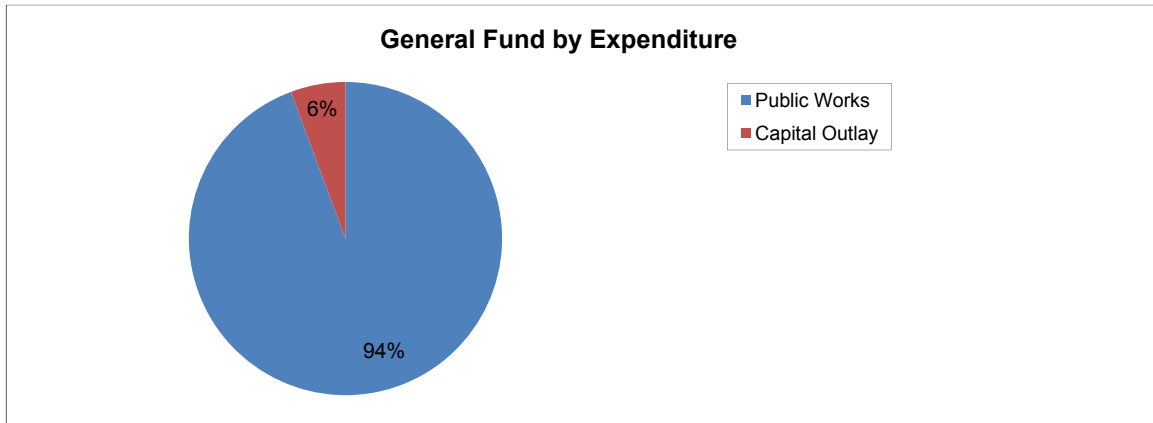
The following table displays historical revenues of the General Fund.

Year	Revenues	Increase (Decrease) %
2008-2009	1,539,361	10%
2009-2010	2,081,882	35%
2010-2011	2,169,920	4%
2011-2012	2,355,818	9%
2012-2013	2,108,958	-10%

# Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

The entirety of the General Fund's expenditures are for the public works function and for capital outlay, as seen in the table below.



Public Works expenditures constitute 94% of the General Fund's expenditures for the 2013 fiscal year.

### Capital Assets

Because of aging facilities and increasing demands on facilities, the Authority has taken an aggressive approach to maintaining existing facilities.

Asset Type	Balance June 30, 2011	Balance June 30, 2012	Balance June 30, 2013
Land and easements	28,024,203	29,114,523	30,493,178
Construction in progress	1,257,643	1,218,115	1,609,546
Building and improvements	3,296,510	3,296,510	3,296,510
Furniture, equipment and vehicles	392,863	397,696	403,188
Flood control system - dams, ponds and drainage channels	41,227,256	41,712,472	42,330,038
Less accumulated depreciation	(7,649,859)	(8,362,328)	(9,084,078)
Intangible assets	758,065	886,813	895,002
Less accumulated amortization	(51,473)	(135,467)	(225,649)
Capital assets, net	67,255,208	68,128,334	69,717,735

Major additions during the 2013 fiscal year include acquisition of approximately 199 acres of needed right of way as well as 122 acres of donated right of way for future flood control facilities for an approximate value of \$1.4 million. In addition to our semiannual routine maintenance of all our facilities, SSCAFCA completed several facility improvements during FY13. The first project, which was completed in early FY13, was a permeable surface parking lot for the Gateway Pond/Park. This facility will reduce runoff and provide an educational example of arid land storm water management. The second project was a retrofit of the Roskos Field water quality facility from a wetlands demonstration to an arid landscape water harvesting demonstration project. The final improvement was in response to the July storm event in Corrales, NM. A large grate which allowed water from a large flood control dam to be diverted to the Montoyas Arroyo clogged during the storm event. This grate was replaced with a reconfigured design with larger opening to prevent future clogging from similar storm events.

# Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2013

## **General Long Term Debt**

The Authority issues general obligation bonds after approval of voters is obtained. Debt issuances are used to finance specific public works and flood control infrastructure projects.

The Authority has never defaulted on any of its debts or other obligations. Listed below is repayment information for the Authority's total general obligation debt as of June 30, 2013.

Year Ended June 30	Principal	Interest	Totals
2014	2,015,000	961,174	2,976,174
2015	2,075,000	842,449	2,917,449
2016	2,300,000	761,586	3,061,586
2017	2,325,000	680,068	3,005,068
2018	2,275,000	600,911	2,875,911
2019-2023	13,020,000	1,687,128	14,707,128
2024-2028	3,775,000	115,312	3,890,312
Total	27,785,000	5,648,628	33,433,628

The Authority issued bonds during FY 2013 totaling \$4.5 million. The bond proceeds will be expended for the acquisition of needed right of way, planning and design of flood control facilities and also used as a local match to state and federal funds on the design and construction of several flood control facilities. The Authority also made regularly scheduled principal and interest payments as required.

## **Future Trends**

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. We are currently not considering a bond election until 2016. The Authority has \$1.25 million of bonding authority remaining from the 2008 bond election. We are aggressively seeking external funding sources to in which it can use this bonding authority as a match for those funds. We expect that the assessed valuation in its jurisdiction will increase modestly in the next tax year as a result of new commercial and residential construction as well as aggressive efforts by the Sandoval County Assessor's office to make sure all new construction is properly accounted for on the County's tax rolls.

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## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 225,481
Unrestricted investments	8,789,411
Receivables:	
Ad valorem assessments	473,488
Interest	<u>945</u>
Total current assets	<u>9,489,325</u>
Noncurrent assets	
Restricted investments	2,674,544
Bond issuance costs, net of accumulated amortization of \$105,010	218,081
Capital assets	
Land and easements	30,493,178
Construction in progress	1,609,546
Depreciable buildings, furniture, equipment, and flood control system, net	36,945,658
Intangible assets, net	<u>669,353</u>
Total noncurrent assets	<u>72,610,360</u>
Total assets	<u><u>\$ 82,099,685</u></u>

The accompanying notes are an integral part of these financial statements

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 30,181
Accrued payroll	17,816
Accrued compensated absences	34,440
Accrued interest	433,604
Current portion of long-term debt	<u>2,015,000</u>
Total current liabilities	<u>2,531,041</u>
Noncurrent liabilities	
Accrued compensated absences	10,648
Bond premiums, net of accumulated amortization of \$99,925	193,561
General obligation bonds payable	<u>25,770,000</u>
Total noncurrent liabilities	<u>25,974,209</u>
Total liabilities	<u>28,505,250</u>
<b>Net Position</b>	
Net investment in capital assets	38,989,713
Restricted for:	
Debt service	4,489,912
Capital projects	4,978,630
Unrestricted	<u>5,136,180</u>
Total net position	<u>53,594,435</u>
Total liabilities and net position	<u><u>\$ 82,099,685</u></u>

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**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Statement of Activities  
 For the year ended June 30, 2013

Exhibit A-2

	<u>Governmental Activities</u>
<b>Program Expenses</b>	
Public Works	
Personnel services	\$ 668,416
Employee benefits	280,487
General and administrative expenses	388,910
Contractual operating and maintenance services	455,873
Depreciation and amortization	820,122
Interest	<u>936,106</u>
 Total program expenses	 3,549,914
<b>Program Revenues</b>	
Capital contributions	<u>773,089</u>
 Total program revenues	 <u>773,089</u>
 Net (expense) revenue - Public Works	 <u>(2,776,825)</u>
<b>General Revenues</b>	
Ad valorem assessments	5,174,923
Investment income	14,354
Miscellaneous revenues	3,053
Loss on equipment and property removal	<u>(2,696)</u>
 Total general revenues	 <u>5,189,634</u>
 Change in net position	 2,412,809
 Total net position - beginning of year	 <u>51,181,626</u>
 Total net position - end of year	 <u><u>\$ 53,594,435</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

Exhibit B-1

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 225,481	\$ -	\$ -	\$ 225,481
Investments	2,473,727	2,674,544	6,315,684	11,463,955
Receivables				
Ad valorem assessments	203,209	270,279	-	473,488
Interest	195	179	571	945
Due from other funds	-	-	165,000	165,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 2,902,612</u>	<u>\$ 2,945,002</u>	<u>\$ 6,481,255</u>	<u>\$ 12,328,869</u>
 <i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 9,489	\$ -	20,692	\$ 30,181
Accrued payroll	17,816	-	-	17,816
Due to other funds	165,000	-	-	165,000
Deferred revenue	170,004	224,210	-	394,214
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>	<u>362,309</u>	<u>224,210</u>	<u>20,692</u>	<u>607,211</u>
 <i>Fund balances</i>				
Restricted for:				
Debt service	-	2,720,792	-	2,720,792
Capital projects	-	-	6,460,563	6,460,563
Assigned	2,540,303	-	-	2,540,303
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total fund balances</i>	<u>2,540,303</u>	<u>2,720,792</u>	<u>6,460,563</u>	<u>11,721,658</u>
 <i>Total liabilities and fund balances</i>	 <u>\$ 2,902,612</u>	 <u>\$ 2,945,002</u>	 <u>\$ 6,481,255</u>	 <u>\$ 12,328,869</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	11,721,658
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		69,717,735
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Bond issuance costs, including original issue discounts and premiums are not financial resources and, therefore, are not reported in the funds		218,081
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the funds.		394,214
Accrued interest is not due and payable with current financial resources therefore are not reported in the funds		(433,604)
Some liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(27,785,000)
Bond premiums		(193,561)
Compensated absences		(45,088)
		(28,023,649)
Total net position	\$	53,594,435

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ending June 30, 2013

Exhibit B-2

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<i>Revenues</i>				
Ad valorem assessments	\$ 2,103,489	\$ 3,118,877	\$ -	\$ 5,222,366
Interest	2,416	1,259	10,679	14,354
Capital contributions	-	-	773,089	773,089
Miscellaneous	3,053	-	-	3,053
<i>Total revenues</i>	<u>2,108,958</u>	<u>3,120,136</u>	<u>783,768</u>	<u>6,012,862</u>
<i>Expenditures</i>				
Current				
Public works	1,633,963	-	151,780	1,785,743
Capital outlay	98,213	-	2,314,006	2,412,219
Debt service				
Principal	-	1,845,000	-	1,845,000
Interest	-	894,475	-	894,475
Bond issuance costs	-	-	50,525	50,525
<i>Total expenditures</i>	<u>1,732,176</u>	<u>2,739,475</u>	<u>2,516,311</u>	<u>6,987,962</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>376,782</u>	<u>380,661</u>	<u>(1,732,543)</u>	<u>(975,100)</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	4,500,000	4,500,000
Bond premiums	-	34,248	-	34,248
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>34,248</u>	<u>4,500,000</u>	<u>4,534,248</u>
<i>Net change in fund balances</i>	376,782	414,909	2,767,457	3,559,148
<i>Fund balances - beginning</i>	<u>2,163,521</u>	<u>2,305,883</u>	<u>3,693,106</u>	<u>8,162,510</u>
<i>Fund balances - ending</i>	<u>\$ 2,540,303</u>	<u>\$ 2,720,792</u>	<u>\$ 6,460,563</u>	<u>\$ 11,721,658</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 June 30, 2013

Exhibit B-2  
 Page 2 of 2

Amounts reported for governmental activities in the statement of activities  
 are different because:

Net change in fund balances - total governmental funds	\$	3,559,148
<p>Governmental funds report capital outlays as expenditures. However in                  the statement of activities, the cost of those assets is allocated over their                  estimated useful lives and reported as depreciation expense:</p>		
Capital assets reported as capital outlay expenditures		2,412,219
Depreciation of assets		(729,940)
Amortization of assets		(90,182)
<p>In the statement of activities, only the loss on the disposition of fixed                  assets is reported, whereas in the governmental funds, the proceeds from                  the disposition increase financial resources. Thus, the change in net position                  differs from the change in fund balance by the book value of the fixed assets                  disposed.</p>		
		(2,696)
<p>Revenues in the statement of activities that do not provide current financial                  resources are not reported as revenue in the funds:</p>		
Change in deferred revenue related to property taxes receivable		(47,443)
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial                  resources to governmental funds, while the repayment of the principal of long-term                  debt consumes the current financial resources of governmental funds. Neither                  transaction, however, has any effect on net assets. Also, governmental funds                  report the effect of issuance costs, premiums, discounts, and similar items when                  debt is first issued, whereas these amounts are deferred and amortized in the                  statement of activities:</p>		
Bond proceeds		(4,500,000)
Bond premiums capitalized		(34,248)
Increase in accrued interest		(46,813)
Bond issuance costs capitalized		50,525
Amortization of bond issuance costs		(25,432)
Amortization of bond premiums		30,613
Increase in the reserve for compensated absences		(7,942)
Principal payments on bonds		<u>1,845,000</u>
Change in net position of governmental activities	\$	<u><u>2,412,809</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

Southern Sandoval County Arroyo Flood Control Authority  
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ending June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Ad valorem assessments	\$ 1,972,000	\$ 1,972,000	\$ 2,074,358	\$ 102,358
Interest income	3,000	3,000	2,221	(779)
Miscellaneous	-	-	3,053	3,053
<i>Total revenues</i>	<u>1,975,000</u>	<u>1,975,000</u>	<u>2,079,632</u>	<u>104,632</u>
<i>Expenditures</i>				
Salaries	681,422	681,422	646,409	35,013
Benefits and taxes	296,430	296,430	276,737	19,693
Administrative fees	48,000	48,000	51,423	(3,423)
Audit expense	15,000	15,000	9,463	5,537
Board meetings and elections	20,000	20,000	10,588	9,412
Contractual services	310,000	310,000	180,366	129,634
Education outreach	100,000	100,000	40,187	59,813
Environmental permitting	55,000	55,000	1,500	53,500
Insurance and bonds	90,000	90,000	82,769	7,231
Legal ads and notices	12,000	12,000	4,723	7,277
Maintenance	50,000	50,000	32,096	17,904
Membership fees	16,500	16,500	8,591	7,909
Miscellaneous	7,145	7,145	1,440	5,705
Occupancy expenses	27,500	27,500	19,305	8,195
Office supplies and printing	29,500	29,500	16,893	12,607
Paying agent expense	5,000	5,000	2,774	2,226
Planning, engineering and construction	125,000	125,000	38,380	86,620
ROW acquisition and costs	350,000	350,000	41,977	308,023
Property tax	5,000	5,000	4,891	109
Staff training and travel	27,000	27,000	11,150	15,850
Operations and maintenance	1,045,000	1,045,000	173,143	871,857
Furniture and equipment and rental	9,000	9,000	755	8,245
Computers, software and mapping	35,000	35,000	32,131	2,869
Capital furniture and equipment	27,000	27,000	16,379	10,621
<i>Total expenditures</i>	<u>3,386,497</u>	<u>3,386,497</u>	<u>1,704,070</u>	<u>1,682,427</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,411,497)</u>	<u>(1,411,497)</u>	<u>375,562</u>	<u>1,787,059</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,411,497	1,411,497	-	1,411,497
<i>Total other financing sources (uses)</i>	<u>1,411,497</u>	<u>1,411,497</u>	<u>-</u>	<u>1,411,497</u>
<i>Net change in fund balances</i>	-	-	375,562	375,562
<i>Fund balances - beginning of year</i>	-	-	2,163,521	2,163,521
<i>Restatement - Note 17</i>			(4,875)	(4,875)
<i>Beginning fund balance, as restated</i>			2,158,646	2,158,646
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,534,208</u>	<u>\$ 2,534,208</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			375,562	
Adjustments to revenues for property tax and interest accruals			\$ 29,326	
Adjustments to expenditures for accounts payable accruals			(28,106)	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 376,782</u>	

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies**

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 the organization of the Authority and its 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 interactions 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.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority’s financial statements. The financial statements and notes are the representation of the Authority’s management that is responsible for the financial statements. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended June 30, 2013, the Authority adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Authority does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

*A. Financial Reporting Entity*

In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (continued)*

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units, and is not a component unit of another governmental agency.

*B. Government-wide and fund financial statements*

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted investment income, and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

*C. Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (continued)*

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by property taxes levied on the Authority's constituents. Expenditures include all costs associated with the daily operations of the Authority except for those items included in other funds.

The *Debt Service Fund* is used to account for the accumulation of resources and the payment of interest and principal on long-term general obligation bonds.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position*

**Deposits and Investments:** The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2013, the Authority maintained a balance of \$11,463,955 in the LGIP.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The Authority receives monthly income from a tax levy in Sandoval County. The funds are collected by the County Treasurer and are remitted to the Authority the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July 2013 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2013. Period of availability is deemed to be thirty days subsequent to year end.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The Authority does not capitalize interest related 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 the date placed in service, represent the costs of process and operations and maintenance manuals, watershed management plans, drainage facility plans, various educational materials, and emergency action plans. Intangibles are amortized on a straight-line basis over estimated useful lives of 5 to 10 years.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Authority are depreciated or amortized, as applicable, using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Office furniture and equipment	7-12
Computer equipment and software	7-8
Motor vehicles	10
Dams, ponds, flood control systems	70
Fencing	5-10
Intangibles	5-10

**Deferred Revenues:** There are two sets of circumstances in which the Authority accrues deferred revenues.

- *Unearned revenue* - Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for *deferred revenue*.
  
- *Unavailable revenue* – Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual (it must be both measureable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. The Authority has recorded \$394,214 in deferred revenue related to property taxes considered “unavailable.”

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

**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 for employees with five or fewer years of service. Employees with five to ten years of service accrue annual leave at the rate of one hundred and twenty hours per year. Employees with ten to fifteen years of service accrue annual leave at the rate of one hundred and 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, 2013, accrued vested annual leave totaled \$45,088.

Qualified employees are entitled to accumulate sick leave. Sick leave accrues at the rate of one hundred and 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.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balance Classification Policies and Procedures:** The Authority has implemented GASB No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the Authority's highest level of decision-making authority is the Board of Directors. The formal action that is required to be taken to establish a fund balance commitment is the Board of Directors.

For assigned fund balance, the Board of Directors or an official or body to which the Board of Directors delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

For the classification of fund balances, the Authority considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Authority considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance:** At June 30, 2013, the Authority has no fund balances in nonspendable form.

**Restricted, Committed and Assigned Fund Balance:** At June 30, 2013, the restricted fund balance on the governmental funds balance sheet is made up of \$2,720,792 for the payment of future debt service expenditures and \$6,460,563 for future capital outlay projects.

The Authority has also not committed any portions of fund balance to specific purposes.

As of June 30, 2013, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2014 (\$750,000), and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2014 (\$314,460). The Authority also assigns a portion of fund balance for specific future use, not available for appropriation or expenditure (\$1,475,843). The Board of Directors of the Authority via resolution is authorized to assign fund balances that the Authority intends to use for specific purposes.

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “debt service and capital projects” are described on page 35.
- c. Unrestricted Net Position: Net position that do not meet the definition of “restricted” or “Net investment in Capital Assets.”

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the Authority are management's estimate of depreciation on assets over their estimated useful lives and the current portion of accrued compensated absences.

*E. Revenues*

**Tax Revenues:** The Authority receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Authority recognizes tax revenues in the period for which they are levied in the government-wide financial statements.

The Authority records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The Authority recognized \$5,222,366 in tax revenues in the governmental fund financial statements during the year ended June 30, 2013. Property taxes recorded in the Debt Service Fund are intended to service the Authority's debt service expenditures and provide for the accumulation of resources required for future debt service expenditures.

**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, 2013, donated assets amounted to \$773,089 and are reported as capital contributions in the Statement of Activities.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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 for 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.



**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

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.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The appropriated budget for the year ended June 30, 2013 was properly amended by the Authority's Board of Directors throughout the year. These amendments resulted in the following changes:

Budgeted Funds:	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	General Fund	(1,411,497)
Debt Service Fund	(52,375)	(52,375)
Capital Projects Fund	(3,714,557)	(8,214,557)

The Authority is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

**NOTE 3. Deposits and Investments**

The Authority has adopted an Investment Policy that addressed 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.

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$52,574 of the Authority's bank balance of \$302,574 was subject to custodial credit risk, all of which was uninsured. \$52,574 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name.

The collateral pledged is listed on Schedule II on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Authority or political subdivision of the State of New Mexico.

	<u>Wells Fargo Bank, N.A.</u>
Amount of deposits	\$ 302,574
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	52,574
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	<u>52,574</u>
Uninsured and uncollateralized	<u>\$ -</u>
Collateral requirement (50%)	\$ 26,287
Pledged securities	<u>623,041</u>
Over (under) collateralized	<u>\$ 596,754</u>

Reconciliation to the Statements of Net Position

The carrying amount of deposits and investments shown above are included in the Authority's statement of net position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 225,481
Add: outstanding checks and other reconciling items	77,293
Less: Petty cash	<u>(200)</u>
Bank balance of deposits	<u>\$ 302,574</u>

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

**Investments**

Credit Risk

As of June 30, 2013, the Authority's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.(F), 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 fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2013, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New MexicGROW LGIP	59 days	<u>\$ 11,463,955</u>	AAAM

**NOTE 4. Accounts Receivable**

Accounts receivable as of June 30, 2013, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Property taxes	\$ 203,209	\$ 270,279	\$ -	\$ 473,488
Interest	195	179	571	945
Totals	<u>\$ 203,404</u>	<u>\$ 270,458</u>	<u>\$ 571</u>	<u>\$ 474,433</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$394,214 that were not collected within the period of availability have been reported as deferred revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The Authority records temporary interfund receivables and payables as the General Fund cash account is used for Capital Projects Fund expenditures until funds are physically transferred between investment and bank accounts. The composition of interfund balances during the year ended June 30, 2013 is as follows:

	<b>Due from other funds</b>	<b>Due to other funds</b>
Capital Projects Fund	\$ 165,000	\$ -
General Fund	-	165,000
Total	\$ 165,000	\$ 165,000

All interfund balances are intended to be repaid within one year.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2012	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2013
Capital assets not being depreciated:				
Land and easements				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	28,886,023	1,378,655	-	30,264,678
Total land and easements	29,114,523	1,378,655	-	30,493,178
Construction in progress	1,218,115	406,794	15,363	1,609,546
Total capital assets not being depreciated	30,332,638	1,785,449	15,363	32,102,724
Capital assets being depreciated:				
Building and improvements	3,296,510	-	-	3,296,510
Furniture, equipment and vehicles	397,696	16,378	10,886	403,188
Flood control system - dams, ponds and drainage channels	41,712,472	617,566	-	42,330,038
Total capital assets being depreciated	45,406,678	633,944	10,886	46,029,736
Less accumulated depreciation:				
Building and improvements	401,125	83,909	-	485,034
Furniture, equipment and vehicles	232,975	34,262	8,190	259,047
Flood control system - dams, ponds and drainage channels	7,728,228	611,769	-	8,339,997
Total accumulated depreciation	8,362,328	729,940	8,190	9,084,078
Depreciable assets, net of depreciation	37,044,350	(95,996)	2,696	36,945,658
Intangible assets	886,813	8,189	-	895,002
Less accumulated amortization	135,467	90,182	-	225,649
Intangible assets, net of amortization	751,346	(81,993)	-	669,353
Total capital assets, net of depreciation and amortization	<u>\$ 68,128,334</u>	<u>\$ 1,607,460</u>	<u>\$ 18,059</u>	<u>\$ 69,717,735</u>

The Authority received donated assets in the amount of \$773,089 during the year ended June 30, 2013.

For the year ended June 30, 2013, depreciation expense of \$729,940 and amortization expense of \$90,182 were charged to the Public Works function.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt**

The Authority issues general obligation bonds to provide funds for the acquisition and construction of flood control facilities. The original amount of general obligation bonds issued in prior years was \$29,360,000. During the year, general obligation bonds for the same purpose totaling \$4,500,000 were issued for improvement and construction of flood control facilities within the boundaries of the Authority. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2013 are for governmental activities. Ad valorem assessments have been levied for debt service and are pledged to service the general obligation bonds. These revenues are recorded in the Debt Service Fund.

Bonds outstanding at June 30, 2013, are comprised of the following:

<u>Series 2005</u>	\$3,000,000 issued February 2005, with variable interest from 3.00% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005, maturing August 1, 2018.	\$ 2,450,000
<u>Series 2005A</u>	\$3,000,000 issued October 25, 2005, with variable interest from 3.70% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2019.	2,075,000
<u>Series 2007</u>	\$4,000,000 issued February 1, 2007, with variable interest from 3.75% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2009, maturing August 1, 2020.	2,605,000
<u>Series 2007A</u>	\$6,000,000 issued October 10, 2007, with variable interest from 3.65% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2008, maturing August 1, 2020.	4,215,000
<u>Series 2009</u>	\$4,000,000 issued February 18, 2009, with variable interest from 3.00% to 3.80% paid semi-annually in February and August, principal payments due annually commencing August 1, 2014, maturing August 1, 2022.	4,000,000
<u>Series 2010A</u>	\$4,500,000 issued March 2, 2010, with variable interest from 3.00% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2016, maturing August 1, 2023.	4,500,000
<u>Refunding Series 2010B</u>	\$2,360,000 issued March 2, 2010, with interest of 3.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2015.	940,000
<u>Series 2011</u>	\$2,500,000 issued March 1, 2011, with variable interest from 3.50% 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
<u>Series 2012</u>	\$4,500,000 issued July 1, 2012, with interest of 2.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2014, maturing August 1, 2025.	<u>4,500,000</u>
Total bonds payable		<u><u>\$ 27,785,000</u></u>

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

The following is a summary of the long-term debt and the activity for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Bonds payable	\$ 25,130,000	\$ 4,500,000	\$ 1,845,000	\$ 27,785,000	\$ 2,015,000
Compensated absences	37,146	226,091	218,149	45,088	34,440
<b>Total</b>	<b>\$ 25,167,146</b>	<b>\$ 4,726,091</b>	<b>\$ 2,063,149</b>	<b>\$ 27,830,088</b>	<b>\$ 2,049,440</b>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 2,015,000	\$ 961,174	\$ 2,976,174
2015	2,075,000	842,449	2,917,449
2016	2,300,000	761,586	3,061,586
2017	2,325,000	680,068	3,005,068
2018	2,275,000	600,911	2,875,911
2019-2023	13,020,000	1,687,128	14,707,128
2024-2028	3,775,000	115,312	3,890,312
	<b>\$ 27,785,000</b>	<b>\$ 5,648,628</b>	<b>\$ 33,433,628</b>

Compensated Absences – Administrative employees of the Authority are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences increased \$7,942 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

**NOTE 8. Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error omissions; 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.

**NOTE 9. Pension Plan – Public Employees Retirement Association**

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

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 9. Pension Plan – Public Employees Retirement Association (continued)**

**Funding Policy.** Plan members contribute 3.2875% of their gross salary (or 25% of the required contribution rate of 13.15%), while the Authority pays 75% of the employee contribution. The Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$123,815, \$120,862, and \$106,889, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 10. 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.

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.



**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contribution to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$13,025, \$11,754, and \$10,532, respectively, which equal the required contributions for each year.

**NOTE 11. Contingent Liabilities**

The Authority is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

**NOTE 12. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit Fund Balances. No funds maintained a deficit fund balance at June 30, 2013.
- B. Excess of expenditures over appropriations. No fund's expenditures exceeded its budgeted authority for the year ended June 30, 2013.
- C. Designated cash appropriations in excess of available balance. No funds displayed designated cash balances in excess of available balances for the year ended June 30, 2013.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 13. Commitments**

The Authority had multiple construction projects ongoing as of the year ended June 30, 2013 that are to continue into the following fiscal year. These projects are as follows:

Contractor	Project	Commitment
Bohannon Huston	Harvey Jones Channel Bridge Project	\$ 57,172
Select Properties	Paseo del Volcan ROW Acquisition	97,523
Smith Engineering	Various small projects	37,862
		<u>\$ 192,557</u>

In addition, the Authority has made commitments for the following projects:

Contractor	Project	Commitment
PPC Solar	Solar Panel Installation	\$ 42,700
Easterling & Associates	Various small projects	35,780
NCS	Corrales Heights Escarpment	39,877
Smith Engineering	Lomitas Negras Design	189,000
		<u>\$ 307,357</u>

The Authority also anticipates that the following projects will be undertaken in the near future. The amounts below are estimates.

Contractor	Project	Commitment
Various	2013 Storm Event	\$ 2,000,000
Unknown	Harvey Jones Channel Bridge Project	1,300,000
Unknown	Calabacillas Watershed Mgmt Plan	150,000
Unknown	Upper SLO Design	137,000
Unknown	Black Arroyo Open Space Design	60,000
Unknown	Lower Montoyas Project	2,000,000
		<u>\$ 5,647,000</u>

**NOTE 14. Restricted Net Position**

The government-wide statement of net position reports \$9,468,542 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue, debt service and capital projects, see page 35.

**NOTE 15. Restatement of Fund Balance**

In the Non-GAAP Budgetary Basis Statements of Revenues, Expenditures and Fund Balance, beginning cash basis fund balances were restated to match beginning cash and investment balances as follows:

	Fund Balance, Beginning	Restatement	Fund Balance, Beginning, as Restated
General Fund	\$ 2,163,521	\$ (4,875)	\$ 2,158,646
Debt Service Fund	2,305,884	(36,828)	2,269,056
Capital Projects Fund	3,693,105	6,828	3,699,933

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 16. 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 17. Joint Powers Agreements**

**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 the 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 of project: \$400,000

Total estimated amount to be contributed by SSCAFCA: \$400,000

Amount Contributed in Current Fiscal Year (SSCAFCA): \$29,377

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  
Notes to Financial Statements  
June 30, 2013

**NOTE 17. Joint Powers Agreements (continued)**

**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 of project: \$35,000

Total estimated amount to be contributed by SSCAFCA: \$35,000

Amount Contributed in Current Fiscal Year (SSCAFCA): \$0

Audit Responsibility

Rio Rancho Public Schools

Government Agency where Revenues and Expenditures are Reported

Rio Rancho Public Schools

**MOA Village of Corrales**

Participants

Village of Corrales

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

Village of Corrales

Description

Provide storage facilities at the Village Fire Station for a trash pump, trailer and hoses (the "equipment") for use in emergency flooding events and other emergency demands.

Effective Dates

From October 25, 2011 to October 25, 2014, with a possible four-year extension upon expiration. Either party may terminate the MOA upon 30 day written notice.

Project Costs

Total estimated amount of project: Unknown

Total estimated amount to be contributed by SSCAFCA: None

Amount Contributed in Current Fiscal Year (SSCAFCA): None

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  
Notes to Financial Statements  
June 30, 2013

**NOTE 17. Joint Powers Agreements (continued)**

**MOA City of Albuquerque**

Participants

City of Albuquerque (the City)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

The City

Description

SSCAFCA's employees may participate in the City's group benefits program (medical, dental, life insurance, and other group voluntary benefits).

Effective Dates

July 1, 2012 through June 30, 2013.

Project Costs

Total estimated amount of project: Unknown

Total estimated amount to be contributed by SCAFCA: \$800

Amount Contributed in Current Fiscal Year (SSCAFCA): \$800

Audit Responsibility

The City

Government Agency where Revenues and Expenditures are Reported

The City

**MOU City of Rio Rancho**

Participants

City of Rio Rancho (the City)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

SSCAFCA

Description

Develop a drainage management plan for the City Center watershed within the City of Rio Rancho.

Effective Dates

May 17, 2013 through September 30, 2013.

Project Costs

Total estimated amount of project: Unknown

Total estimated amount to be contributed by SCAFCA: Unknown

Amount Contributed in Current Fiscal Year (SSCAFCA): \$0

Audit Responsibility

SSCAFCA

Government Agency where Revenues and Expenditures are Reported

SSCAFCA

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2013

**NOTE 18. Subsequent Events**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is October 17, 2013, which is the date on which the financial statements were issued.

In March of 2013, the Authority signed bond documents authorizing the issuance of bonds through the United States Department of Agriculture Clean Water State Revolving Fund (CWSRF). The Authority has not expended any of these funds as of November 1, 2013, and no liability has been reported on the government-wide financial statements since no funds have been drawn down on the CWSRF funds. The Authority plans to begin construction of the project funded by this program during the year ended June 30, 2014.

**NOTE 19. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Authority will implement this standard during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Authority will implement this standard during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority is still evaluating how this standard will affect the Authority.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Authority is still evaluating how this standard will affect the Authority.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

**SUPPLEMENTARY INFORMATION**

## STATE OF NEW MEXICO

Statement B-1

Southern Sandoval County Arroyo Flood Control Authority  
Debt Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Ad valorem assessments	\$ 2,684,700	\$ 2,684,700	\$ 3,109,635	\$ 424,935
Interest income	2,400	2,400	1,080	(1,320)
<i>Total revenues</i>	<u>2,687,100</u>	<u>2,687,100</u>	<u>3,110,715</u>	<u>423,615</u>
<i>Expenditures</i>				
<i>Debt service</i>				
Principal	1,845,000	1,845,000	1,845,000	-
Interest	894,475	894,475	894,475	-
<i>Total expenditures</i>	<u>2,739,475</u>	<u>2,739,475</u>	<u>2,739,475</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(52,375)</u>	<u>(52,375)</u>	<u>371,240</u>	<u>423,615</u>
<i>Other financing sources (uses)</i>				
Designated cash	52,375	52,375	-	(52,375)
Bond premiums	-	-	34,248	34,248
<i>Total other financing sources (uses)</i>	<u>52,375</u>	<u>52,375</u>	<u>34,248</u>	<u>(18,127)</u>
<i>Net change in fund balances</i>	-	-	405,488	405,488
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,305,884</u>	<u>2,305,884</u>
<i>Restatement - Note 17</i>			(36,828)	
<i>Beginning fund balance, as restated</i>			<u>2,269,056</u>	
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,674,544</u>	<u>\$ 2,711,372</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			405,488	
Adjustments to revenues for property tax and interest accruals			9,421	
No adjustments to expenditures			-	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 414,909</u>	

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**

Statement B-2

Southern Sandoval County Arroyo Flood Control Authority  
 Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
State capital grants	\$ 383,000	\$ 383,000	\$ -	\$ (383,000)
Interest income	2,000	2,000	10,108	8,108
<i>Total revenues</i>	<u>385,000</u>	<u>385,000</u>	<u>10,108</u>	<u>(374,892)</u>
<i>Expenditures</i>				
Bond issuance costs	-	-	50,525	(50,525)
Operations and maintenance	84,142	84,142	158,609	(74,467)
Capital outlay	4,015,415	8,515,415	1,520,223	6,995,192
<i>Total expenditures</i>	<u>4,099,557</u>	<u>8,599,557</u>	<u>1,729,357</u>	<u>6,870,200</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,714,557)</u>	<u>(8,214,557)</u>	<u>(1,719,249)</u>	<u>6,495,308</u>
<i>Other financing sources (uses)</i>				
Designated cash	3,714,557	3,714,557	-	(3,714,557)
Bond proceeds	-	4,500,000	4,500,000	-
<i>Total other financing sources (uses)</i>	<u>3,714,557</u>	<u>8,214,557</u>	<u>4,500,000</u>	<u>(3,714,557)</u>
<i>Net change in fund balances</i>	-	-	2,780,751	2,780,751
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,693,105</u>	<u>3,693,105</u>
<i>Restatement - Note 17</i>			6,828	
<i>Beginning fund balance, as restated</i>			<u>3,699,933</u>	
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,480,684</u>	<u>\$ 6,473,856</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			2,780,751	
Adjustments to revenues for property tax and interest accruals and capital contributions			773,660	
Adjustments to expenditures for accounts payable accruals and capital contributions			<u>(786,954)</u>	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 2,767,457</u>	

The accompanying notes are an integral part of these financial statements

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**

Schedule I

Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Collateral Pledged By Depository  
 For Public Funds  
 June 30, 2013

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2013	Location of Safekeeper
<b>Wells Fargo Bank, N.A.</b>					
	FNMA FNMS 4.000%	12/1/2039	31419AGZ4	\$ 549,772	BNY Mellon, One Wall Street, NY NY
	FNMA FNMS 4.000%	9/1/2040	31419ANB9	<u>73,269</u>	BNY Mellon, One Wall Street, NY NY
	Total Wells Fargo Bank, N.A.			623,041	
	Total Pledged Collateral			<u>\$ 623,041</u>	

See the accompanying independent auditor's report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Deposit and Investment Accounts  
 For the Year Ended June 30, 2013

Schedule II

Bank Account Type/Name	Wells Fargo Bank	State Treasurer's Office	Total
Checking - Operational	\$ 302,574	\$ 11,467,383	\$ 11,769,957
Total on deposit	302,574	11,467,383	11,769,957
Reconciling items	(77,293)	(3,428)	(80,721)
Reconciled balance	225,281	11,463,955	11,689,236
Plus: Petty cash			200
Total cash			\$ 11,689,436
Cash and investments per financial statements:			
Governmental Activities Cash and cash equivalents - Exhibit A-1			\$ 225,481
Governmental Activities Unrestricted Investments - Exhibit A-1			8,789,411
Governmental Activities Restricted Investments - Exhibit A-1			2,674,544
Total cash			\$ 11,689,436

See accompanying independent auditors' report

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**COMPLIANCE SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

**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**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of Southern Sandoval County Arroyo Flood Control Authority (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated October 17, 2013.

**Internal Control Over Financial Reporting**

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

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

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



## 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*.

## Purpose of this Report

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

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP  
Albuquerque, NM  
October 17, 2013

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**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Schedule of Findings and Responses  
June 30, 2013

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements noted?                     | No         |

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

None.

**C. PRIOR YEAR AUDIT FINDINGS**

None.

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**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Other Disclosures  
For the Year Ended June 30, 2013

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 19, 2013. In attendance were the following:

**Southern Sandoval County Arroyo Flood Control Authority**

James F. Fahey Jr., Board Treasurer  
Charles Thomas, P.E., Executive Engineer  
Deborah Casaus, CPA, Fiscal Services Director

**Accounting & Consulting Group, LLP**

Robert Cordova, CPA  
Gwen Mansfield-Vogt, CPA

**Auditor Prepared Financial Statements**

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of Southern Sandoval County Arroyo Flood Control Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.