



**FINANCIAL STATEMENTS
WITH ACCOMPANYING AUDITORS'
REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2014**

SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
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June 30, 2014

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STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Official Roster
June 30, 2014

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Donald Rudy		Chariman
James F. Fahey Jr.		Chair Pro Tem
John Chaney		Chair Pro Tem (Alternate)
Mark Conkling		Tresurer
Steve House		Secretary
	<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

AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Board of Directors of
The Southern Sandoval County Arroyo Flood Control Authority
Rio Rancho, New Mexico

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, 2014, 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 as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the major capital projects fund and debt service fund of the Authority for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United State 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. The Schedule of Expenditures of Federal Awards, required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, introductory section*, and Supporting Schedules I and II, required by 2.2.2 NMAC, 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.

The Schedule of Expenditures of Federal Awards and Supporting Schedules I and II required by 2.2.2 NMAC 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, the Schedule of Expenditures of Federal Awards and Supporting Schedules I and II required by 2.2.2 NMAC 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 November 20, 2014 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
November 20, 2014

Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis For the Fiscal Year Ending June 30, 2014

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, 2014. 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, 2014. 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

Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

SSCAFCA Goals and Commitments (continued):

During the past fiscal year and in the year to come, SSSCAFCA will continue with four major goals. SSSCAFCA 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. SSSCAFCA 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. In order to continue completing this acquisition at a high level, we are hiring a Real Estate Manager to direct and manage future property acquisitions, as well as taking on the ever increasing task of managing the property resources already acquired. The second area SSSCAFCA is targeting is moving forward with internalizing design services for flood control projects. SSSCAFCA is increasing the use of in-house resources for planning, design and bidding of construction costs to reduce the reliance on external consulting services, reduce the cost of design, and gain greater flexibility in handling improvements to existing facilities as well as small projects which are not economically efficient using third party engineering services. SSSCAFCA has currently designed and is bidding the second phase of a small trial drainage improvement project, the Dam 4 to 1 Trail, as well as designing and constructing small improvements to facilities to correct problems that were identified from past storm events.

The third major focus is a continuation of a strategy to pursue external funding sources to match with our local bond funds. SSSCAFCA is continuing to pursue state capital outlay funds, for the fourth 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 Mid-Region Council of Governments (MRCOG) for two separate projects, the Harvey Jones Channel Improvements and the Black Arroyo Open Space project. SSSCAFCA has active application 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, SSSCAFCA continues to apply for other federal grants. SSSCAFCA has been diligently tracking the administrative requirements that are unique to each funding sources to ensure that we are completing the required elements and to make future applications more successful and efficient if awarded.

The final planned focus is to make actual construction of flood control facilities a priority. From 2008 through present, only one flood control facility (Sunset Dam) has been constructed, with recent historical efforts focused on planning. SSSCAFCA 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 fiscal year 2015 and 2016. SSSCAFCA completed the Lomas Negras Water Quality facility, phase one, east of NM 528 and is working on the design for phase 2, west of NM 528. The Harvey Jones Channel has been problematic in execution, with a bid opening held in early spring failing to garner any bids. We were unable to complete a small portion of the project, removal of the sill, and have recently received a successful bid for completion of the remainder of the project. The Black Arroyo Trail project is currently being advertised, and we expect to advertise the Lower Montoyas Project before the end of the year.

Significant Financial Highlights for the Year Ending June 30, 2014

The overall Net Position of the Authority increased from \$52,594,435 for the year ending June 30, 2013 to \$56,706,660 for the year ending June 30, 2014. This represents an increase in net position of \$3,112,225. Total cash and investment decreased by \$4,535,168 primarily resulting from cash outflow for removal of sediment in the Authority's facilities that resulted from several large rain storms during the monsoon season as well as the construction of a new facility in the Authority's jurisdiction. Other assets increased by \$3,849,188 primarily comprised of a receivable from FEMA for the emergency work done. Total liabilities decreased by \$1,616,139 resulting from debt payments and changes in short-term liabilities.

Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

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 \$56,706,660 at June 30, 2014. The Authority has \$7,154,268 in cash and investments on hand as of June 30, 2014 compared to \$2,974,295 in accounts payable and other current liabilities. Net Position totaling \$8,477,936 is "restricted" for debt service and capital projects (\$3,090,266 and \$5,387,670, respectively). Net Position totaling \$2,309,233 is "unrestricted". The Authority's overall financial position improved between 2013 and 2014. Capital assets increased by \$2,182,066, due to increases in land and infrastructure for current and planned flood control facilities.

	June 30, 2013	June 30, 2014
Assets		
Cash and Investments	\$ 11,689,436	\$ 7,154,268
Other Assets	692,514	4,541,702
Capital and Intangible Assets, net of depreciation and amortization	69,717,735	71,899,801
Total Assets	\$ 82,099,685	\$ 83,595,771
Liabilities		
Current Liabilities	2,531,041	2,974,295
Long Term Liabilities	25,974,209	23,914,816
Total Liabilities	\$ 28,505,250	\$ 26,889,111
Net Position		
Net Investment in Capital Assets	38,989,713	45,919,491
Restricted	9,468,542	8,477,936
Unrestricted	5,136,180	2,309,233
Total Net Position	\$ 53,594,435	\$ 56,706,660

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, 2014

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, 2013	June 30, 2014
Expenses for Governmental Activities	\$ 3,549,914	\$ 6,734,615
Less Operating Grants and Contributions	-	3,030,484
Less Capital Grants and Contributions	773,089	1,666,649
Net (Expenses) Revenues and Changes in Net Position	(2,776,825)	(2,037,482)
General Revenues		
Taxes - general, debt service, capital projects	5,174,923	5,209,137
Interest and Earnings on Investments	14,354	7,895
Miscellaneous	3,053	150,757
Loss on disposal on capital assets	(2,696)	-
Subtotal, General Revenues	5,189,634	5,367,789
Changes in Net Position	2,412,809	3,330,307
Net Position - Beginning	51,181,626	53,594,435
Restatement pursuant to adoption of GASB 65 - Note 17	-	(218,082)
Net Position - Ending	\$ 53,594,435	\$ 56,706,660

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 \$5,980,526. Total expenditures for the Authority were \$11,025,396. The Authority also received bond proceeds of \$47,582 during FY 2014. Total ending fund balance was \$6,724,370, for a decrease of \$4,997,288 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	12,751,922	5%	11,035,928	-13%
2009-2010	7,346,003	-42%	6,559,060	-41%
2010-2011	5,622,353	-23%	6,115,651	-7%
2011-2012	10,547,110	88%	6,987,962	14%
2012-2013	6,028,108	-43%	11,025,396	58%

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

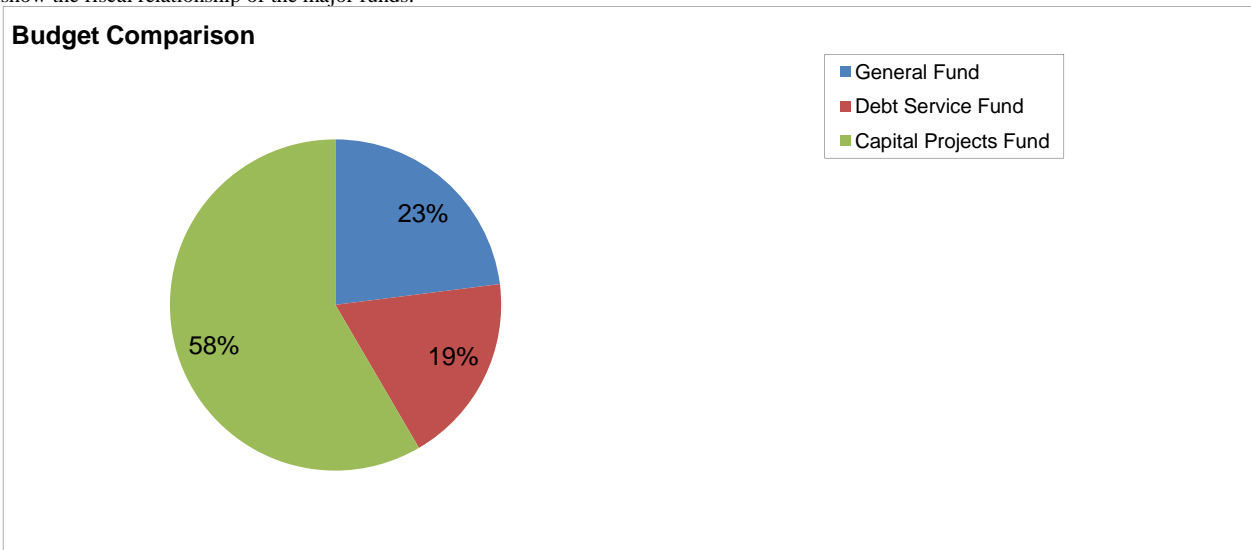
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

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

Management Discussion and Analysis For the Fiscal Year Ending June 30, 2014

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2014. 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	3,606,519	2,170,428	1,436,091
Debt Service	2,976,175	2,976,174	1
Capital Projects	9,388,483	5,321,681	4,066,802

The General Fund expenditures remained favorable to the final budget by \$1,436,091 or 40%. This difference was comprised of amounts budgeted for facility maintenance and improvements which were not able to be done this fiscal year due to the large amount of sediment removal that had to be completed; and the environmental permitting process, which is a relatively new process and the cost of this process is not clearly defined at this time and is therefore approximated. This process has been delayed by the federal agency mandating this permit.

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.

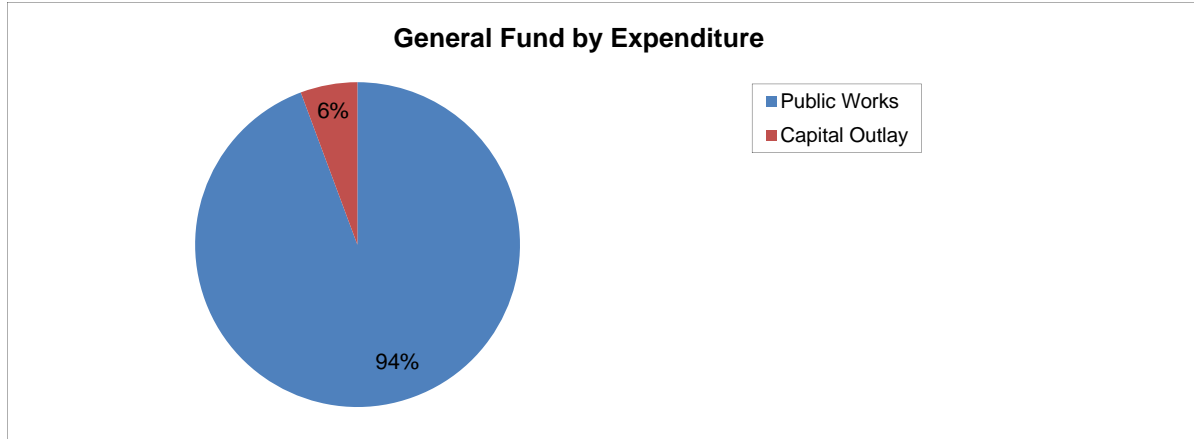
The following table displays historical revenues of the General Fund.

Year	Revenues	Increase (Decrease) %
2009-2010	2,081,882	35%
2010-2011	2,169,920	4%
2011-2012	2,355,818	9%
2012-2013	2,108,958	-10%
2013-2014	2,086,306	-1%

Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis For the Fiscal Year Ending June 30, 2014

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, 2012	Balance June 30, 2013	Balance June 30, 2014
Land and easements	29,114,523	30,493,178	31,067,622
Construction in progress	1,218,115	1,609,546	2,502,551
Building and improvements	3,296,510	3,296,510	3,296,510
Furniture, equipment and vehicles	397,696	403,188	483,279
Flood control system - dams, ponds and drainage channels	41,712,472	42,330,038	43,457,123
Less accumulated depreciation	(8,362,328)	(9,084,078)	(9,818,964)
Intangible assets	758,065	886,813	1,246,997
Less accumulated amortization	(135,467)	(225,649)	(335,317)
Capital assets, net	67,999,586	69,709,546	71,899,801

Major additions during the 2014 fiscal year include acquisition of approximately 34.9 acres of needed right of way as well as 34.5 acres of donated right of way for future flood control facilities for an approximate value of \$574,000. In addition to our semiannual routine maintenance of all our facilities, SSCAFCA completed several facility improvements during FY14 costing approximately \$1.13 million. The first project 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. The largest project was completion of the Lomitas Negras Water Quality Facility, consisting of three small check dams and a large grade control structure all constructed of soil cement. These features increased the sediment retention capacity from 1,500 cubic yards to approximately 46,500 cubic yards, to protect downstream facilities. Other projects include phase one of the Dam 4 to 1 trail drainage improvements, which consisted of construction of a small retaining wall to prevent sediment from the upstream hillsides moving onto the trail and clogging the drain inlet structures and replacing damaged fencing at the Sportsplex Facility.

Southern Sandoval County Arroyo Flood Control Authority

Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

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, 2014.

Year Ended June 30	Principal	Interest	Totals
2015	2,075,000	842,449	2,917,449
2016	2,347,582	761,586	3,109,168
2017	2,325,000	680,068	3,005,068
2018	2,275,000	600,911	2,875,911
2019	2,425,000	517,802	2,942,802
2020-2024	12,520,000	1,248,389	13,768,389
2025-2029	1,850,000	36,250	1,886,250
Total	25,817,582	4,687,455	30,505,037

The Authority made regularly scheduled principal and interest payments as required.

Future Trends

The Authority has a planned bond sale for the early part of fiscal year 2015 for the remaining \$1.25 million of bonding authority from its 2008 \$18 million bond election. This sale will be combined with a debt refunding of its 2007 and 2009 bond issuances. This financing transaction will generate debt service savings as well as produce new dollars to be used for the construction of new flood control facilities and the property acquisition needed to build future facilities. We expect that the assessed valuation in our 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, 2014

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 612,005
Unrestricted investments	3,714,057
Receivables:	
Ad valorem assessments	448,713
Intergovernmental	4,092,457
Interest	<u>532</u>
Total current assets	<u>8,867,764</u>
Noncurrent assets	
Restricted investments	2,828,206
Capital assets	
Land and easements	31,067,622
Construction in progress	2,502,551
Depreciable buildings, furniture, equipment, and flood control system, net	37,417,948
Intangible assets, net	<u>911,680</u>
Total noncurrent assets	<u>74,728,007</u>
Total assets	<u><u>\$ 83,595,771</u></u>

The accompanying notes are an integral part of these financial statements

	<u>Governmental Activities</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 474,774
Accrued payroll	18,218
Accrued compensated absences	38,929
Accrued interest	367,374
Current portion of long-term debt	<u>2,075,000</u>
Total current liabilities	<u>2,974,295</u>
Noncurrent liabilities	
Accrued compensated absences	9,506
Bond premiums, net of accumulated amortization of \$99,925	162,728
General obligation bonds payable	<u>23,742,582</u>
Total noncurrent liabilities	<u>23,914,816</u>
Total liabilities	<u>26,889,111</u>
Net Position	
Net investment in capital assets	45,919,491
Restricted for:	
Debt service	3,090,266
Capital projects	5,387,670
Unrestricted	<u>2,309,233</u>
Total net position	<u>56,706,660</u>
Total liabilities and net position	<u><u>\$ 83,595,771</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, 2014

Exhibit A-2

	<u>Governmental Activities</u>
Program Expenses	
Public Works	
Personnel services	\$ 694,020
Employee benefits	303,915
General and administrative expenses	460,799
Contractual operating and maintenance services	3,567,215
Depreciation and amortization	844,554
Interest	<u>864,112</u>
 Total program expenses	 6,734,615
Program Revenues	
Capital contributions	<u>83,610</u>
 Total program revenues	 <u>83,610</u>
Operating Grants	
Public works operating grants	<u>3,030,484</u>
 Total operating grants	 <u>3,030,484</u>
Capital Grants	
Public works capital grants	<u>1,583,039</u>
 Total capital grants	 <u>1,583,039</u>
Net (expense) revenue - Public Works	<u>(2,037,482)</u>
General Revenues	
Ad valorem assessments	5,209,137
Investment income	7,895
Miscellaneous revenues	<u>150,757</u>
 Total general revenues	 <u>5,367,789</u>
Change in net position	<u>3,330,307</u>
Total net position - beginning of year	53,594,435
Restatement pursuant to adoption of GASB 65 - Note 17	<u>(218,082)</u>
Beginning net position, as restated	<u>53,376,353</u>
Total net position - end of year	<u><u>\$ 56,706,660</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, 2014

Exhibit B-1

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 612,005	\$ -	\$ -	\$ 612,005
Investments	2,762,268	2,828,206	951,789	6,542,263
Receivables				
Ad valorem assessments	186,802	261,911	-	448,713
Intergovernmental	-	-	4,092,457	4,092,457
Interest	222	149	161	532
Due from other funds	381,724	-	1,331,296	1,713,020
	<u>\$ 3,943,021</u>	<u>\$ 3,090,266</u>	<u>\$ 6,375,703</u>	<u>\$ 13,408,990</u>
<i>Total assets</i>				
<i>Liabilities</i>				
Accounts payable	\$ 9,151	\$ -	465,623	\$ 474,774
Accrued payroll	18,218	-	-	18,218
Due to other funds	1,305,910	-	407,110	1,713,020
	<u>1,333,279</u>	<u>-</u>	<u>872,733</u>	<u>2,206,012</u>
<i>Total liabilities</i>				
<i>Deferred inflows of resources</i>				
Unavailable revenue - ad valorem	161,391	224,760	-	386,151
Unavailable revenue - intergovernmental	-	-	4,092,457	4,092,457
	<u>161,391</u>	<u>224,760</u>	<u>4,092,457</u>	<u>4,478,608</u>
<i>Total deferred inflows of resources</i>				
<i>Fund balances</i>				
Restricted for:				
Debt service	-	2,865,506	-	2,865,506
Capital projects	-	-	1,410,513	1,410,513
Assigned	2,448,351	-	-	2,448,351
	<u>2,448,351</u>	<u>2,865,506</u>	<u>1,410,513</u>	<u>6,724,370</u>
<i>Total fund balances</i>				
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,943,021</u>	<u>\$ 3,090,266</u>	<u>\$ 6,375,703</u>	<u>\$ 13,408,990</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, 2014

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

Fund balances - total governmental funds	\$	6,724,370
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		71,899,801
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		386,151
Certain amount receivable under grant agreements are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		4,092,457
Accrued interest is not due and payable with current financial resources therefore are not reported in the funds		(367,374)
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		(25,817,582)
Bond premiums		(162,728)
Compensated absences		(48,435)
		(26,428,745)
Total net position	\$	56,706,660

STATE OF NEW MEXICO

Exhibit B-2

Southern Sandoval County Arroyo Flood Control Authority
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<i>Revenues</i>				
Ad valorem assessments	\$ 2,097,343	\$ 3,119,855	\$ -	\$ 5,217,198
Federal grants	-	-	23,999	23,999
State grants	-	-	497,067	497,067
Interest	1,822	1,033	5,040	7,895
Capital contributions	-	-	83,610	83,610
Miscellaneous	7,312	-	143,445	150,757
<i>Total revenues</i>	<u>2,106,477</u>	<u>3,120,888</u>	<u>753,161</u>	<u>5,980,526</u>
<i>Expenditures</i>				
Current				
Public works	2,084,908	-	2,937,694	5,022,602
Capital outlay	113,521	-	2,913,099	3,026,620
Debt service				
Principal	-	2,015,000	-	2,015,000
Interest	-	961,174	-	961,174
<i>Total expenditures</i>	<u>2,198,429</u>	<u>2,976,174</u>	<u>5,850,793</u>	<u>11,025,396</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(91,952)</u>	<u>144,714</u>	<u>(5,097,632)</u>	<u>(5,044,870)</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	47,582	47,582
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>47,582</u>	<u>47,582</u>
<i>Net change in fund balances</i>	(91,952)	144,714	(5,050,050)	(4,997,288)
<i>Fund balances - beginning</i>	<u>2,540,303</u>	<u>2,720,792</u>	<u>6,460,563</u>	<u>11,721,658</u>
<i>Fund balances - ending</i>	<u>\$ 2,448,351</u>	<u>\$ 2,865,506</u>	<u>\$ 1,410,513</u>	<u>\$ 6,724,370</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
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ (4,997,288)
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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:

Capital assets reported as capital outlay expenditures	3,026,620
Depreciation of assets	(748,905)
Amortization of assets	(95,649)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	(8,063)
Change in unavailable revenue related to grants receivable	4,092,457

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 position. 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:

Bond proceeds	(47,582)
Increase in accrued interest	66,230
Amortization of bond premiums	30,833
Increase in the reserve for compensated absences	(3,346)
Principal payments on bonds	<u>2,015,000</u>

Change in net position of governmental activities	<u>\$ 3,330,307</u>
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STATE OF NEW MEXICO

Exhibit C-1

Southern Sandoval County Arroyo Flood Control Authority
General FundStatement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Ad valorem assessments	\$ 1,986,000	\$ 1,986,000	\$ 2,077,394	\$ 91,394
Interest income	3,000	3,000	1,600	(1,400)
Miscellaneous	-	-	7,312	7,312
<i>Total revenues</i>	<u>1,989,000</u>	<u>1,989,000</u>	<u>2,086,306</u>	<u>97,306</u>
<i>Expenditures</i>				
Salaries	737,772	737,772	672,845	64,927
Benefits and taxes	325,572	325,572	303,528	22,044
Administrative fees	50,000	50,000	51,540	(1,540)
Audit expense	26,000	26,000	12,610	13,390
Board meetings and elections	10,720	10,720	5,339	5,381
Contractual services	512,800	512,800	146,654	366,146
Education outreach	60,000	60,000	37,254	22,746
Environmental permitting	46,000	46,000	5,000	41,000
Insurance and bonds	85,000	85,000	111,742	(26,742)
Legal ads and notices	12,000	12,000	5,622	6,378
Maintenance	37,500	37,500	32,352	5,148
Membership fees	13,600	13,600	8,656	4,944
Miscellaneous	3,665	3,665	1,440	2,225
Occupancy expenses	25,500	25,500	19,037	6,463
Office supplies and printing	26,050	26,050	19,997	6,053
Paying agent expense	3,000	3,000	3,469	(469)
Planning, engineering and construction	77,200	77,200	33,430	43,770
ROW acquisition and costs	18,900	18,900	0	18,900
Property tax	10,000	10,000	44,690	(34,690)
Staff training and travel	36,890	36,890	12,220	24,670
Operations and maintenance	1,392,050	1,392,050	527,023	865,027
Furniture and equipment and rental	6,000	6,000	3,029	2,971
Computers, software and mapping	25,300	25,300	32,860	(7,560)
Capital furniture and equipment	65,000	65,000	80,091	(15,091)
<i>Total expenditures</i>	<u>3,606,519</u>	<u>3,606,519</u>	<u>2,170,428</u>	<u>1,436,091</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,617,519)</u>	<u>(1,617,519)</u>	<u>(84,122)</u>	<u>1,533,397</u>
<i>Other financing sources (uses)</i>				
Designated cash	<u>1,617,519</u>	<u>1,617,519</u>	-	<u>1,617,519</u>
<i>Total other financing sources (uses)</i>	<u>1,617,519</u>	<u>1,617,519</u>	-	<u>1,617,519</u>
<i>Net change in fund balances</i>	-	-	(84,122)	(84,122)
<i>Fund balances - beginning of year</i>	-	-	2,534,208	2,534,208
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,450,086</u>	<u>\$ 2,450,086</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			(84,122)	
Adjustments to revenues for property tax and interest accruals			\$ 20,171	
Adjustments to expenditures for accounts payable accruals			(28,001)	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ (91,952)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

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, 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 Statement 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, 2014

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, 2014

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, 2014

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, 2014, the Authority maintained a balance of \$6,542,263 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 2014 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2014. Period of availability is deemed to be thirty days subsequent to year end.

Grant receivables are recorded for reimbursement-basis grants when expenditures for which reimbursement is expected, but has not yet been received, have been incurred. The period of availability for these revenues is deemed to be thirty days subsequent to year end; amounts collected after that time are recorded as deferred inflows of resources.

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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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.

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

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

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, 2014, accrued vested annual leave totaled \$48,435.

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, 2014

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, 2014, the Authority has no fund balances in nonspendable form.

Restricted, Committed and Assigned Fund Balance: At June 30, 2014, the restricted fund balance on the governmental funds balance sheet is made up of \$2,865,506 for the payment of future debt service expenditures and \$1,410,513 for future capital outlay projects.

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

As of June 30, 2014, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2015, or \$1,317,030, and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2015, or \$277,255. The Authority also assigns a portion of fund balance for specific future use, not available for appropriation or expenditure totaling \$854,066. 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 34.
- 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, 2014

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 \$5,217,198 in tax revenues in the governmental fund financial statements during the year ended June 30, 2014. 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, 2014, donated assets amounted to \$83,610 and are reported as capital contributions in the Statement of Activities.

F. Deferred Inflows and Outflows of Resources

Deferred Inflows: Deferred inflows of resources are acquisitions of net position/fund balance by the governmental entity that are applicable to future reporting periods. There are two sets of circumstances in which the Authority accrues deferred inflows.

- *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 deferred inflow.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

F. Deferred Inflows and Outflows of Resources (continued)

- *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 measurable 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 Authority must offset the assets with a deferred inflow of resources. The Authority has recorded \$386,151 in deferred inflows of resources related to property taxes considered “unavailable” and \$4,092,457 in deferred inflows of resources related to grant revenues considered “unavailable.”

Deferred Outflows: Deferred outflows of resources are consumptions of net position/fund balance by the governmental entity that are applicable to future reporting periods. The Authority did not engage in transactions requiring the recording of deferred outflows during the year ended June 30, 2014, and no deferred outflows have been recorded.

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.

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.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2014

NOTE 2. Stewardship, Compliance and Accountability (continued)

The appropriated budget for the year ended June 30, 2014 was properly amended by the Authority's Board of Directors throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	(1,617,519)	(1,617,519)
Debt Service Fund	71,225	71,225
Capital Projects Fund	(6,483,483)	(6,483,483)

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, 2014.

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, 2014

NOTE 3. Deposits and Investments (continued)

All of the Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are 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, 2014, \$695,656 of the Authority's bank balance of \$945,656 was subject to custodial credit risk, all of which was uninsured. \$695,656 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.

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 945,656
FDIC coverage	(250,000)
Total uninsured public funds	695,656
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	695,656
Uninsured and uncollateralized	\$ -
Collateral requirement (50%)	\$ 347,828
Pledged securities	856,049
Over (under) collateralized	\$ 508,221

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	\$ 612,005
Add: outstanding checks and other reconciling items	333,851
Less: Petty cash	(200)
Bank balance of deposits	\$ 945,656

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2014

NOTE 3. Deposits and Investments (continued)

Investments

Credit Risk

As of June 30, 2014, 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, 2014, 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 MexiGROW LGIP	48.6 days	<u>\$ 6,542,263</u>	AAAm

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2014, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Property taxes	\$ 186,802	\$ 261,911	\$ -	\$ 448,713
Intergovernmental:				
Federal grants	-	-	2,649,771	2,649,771
State grants	-	-	1,406,547	1,406,547
Local grants	-	-	36,139	36,139
Interest	222	149	161	532
Totals	<u>\$ 187,024</u>	<u>\$ 262,060</u>	<u>\$ 4,092,618</u>	<u>\$ 4,541,702</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$386,151 and grant revenues in the amount of \$4,092,457 that were not collected within the period of availability have been reported as deferred inflows of resources 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, 2014

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. In addition, for certain capital project and disaster cleanup projects, expenditures may be paid from the Capital Projects Fund and later reimbursed by the General Fund. The composition of interfund balances during the year ended June 30, 2014 is as follows:

	Due from other funds	Due to other funds
Capital Projects Fund	\$ 924,186	\$ -
General Fund	-	924,186
Total	\$ 924,186	\$ 924,186

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, 2014

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows.
Land and construction in progress are not subject to depreciation.

	Balance June 30, 2013	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2014
Capital assets not being depreciated:				
Land and easements				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	30,264,678	574,444	-	30,839,122
Total land and easements	30,493,178	574,444	-	31,067,622
Construction in progress	1,609,546	1,133,893	240,888	2,502,551
Total capital assets not being depreciated	32,102,724	1,708,337	240,888	33,570,173
Capital assets being depreciated:				
Building and improvements	3,296,510	-	-	3,296,510
Furniture, equipment and vehicles	403,188	80,091	-	483,279
Flood control system - dams, ponds and drainage channels	42,330,038	1,127,085	-	43,457,123
Total capital assets being depreciated	46,029,736	1,207,176	-	47,236,912
Less accumulated depreciation:				
Building and improvements	485,034	83,908	-	568,942
Furniture, equipment and vehicles	259,047	32,692	-	291,739
Flood control system - dams, ponds and drainage channels	8,339,997	618,286	-	8,958,283
Total accumulated depreciation	9,084,078	734,886	-	9,818,964
Depreciable assets, net of depreciation	36,945,658	472,290	-	37,417,948
Intangible assets	895,002	351,995	-	1,246,997
Less accumulated amortization	225,649	109,668	-	335,317
Intangible assets, net of amortization	669,353	242,327	-	911,680
Total capital assets, net of depreciation and amortization	\$ 69,717,735	\$ 2,422,954	\$ 240,888	\$ 71,899,801

The Authority received donated assets in the amount of \$83,610 during the year ended June 30, 2014.

For the year ended June 30, 2014, depreciation expense of \$734,886 and amortization expense of \$109,668 were charged to the Public Works function.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

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 \$33,860,000. During the year, GO bonds totaling \$47,582, related to the Clean Water State Revolving Fund Loan/Grant Program, 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, 2014 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, 2014, 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.	\$ 2,350,000
<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.	1,975,000
<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.	2,255,000
<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.	3,515,000
<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.	325,000
<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.	4,350,000

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2014

NOTE 7. Long-term Debt (continued)

NMED CWSRF GO Bond

\$1,250,000 issued May 2, 2013, of which \$47,582 has been drawn down as of June 30, 2014. Interest of 3.0% and annual principal installments will become due within one year of the Project Completion date, but no later than one year after the date of the warrant of final disbursement from the NMED.

47,582

Total bonds payable

\$ 25,817,582

The following is a summary of the long-term debt and the activity for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Bonds payable	\$ 27,785,000	\$ 47,582	\$ 2,015,000	\$ 25,817,582	\$ 2,075,000
Compensated absences	45,088	43,672	40,325	48,435	38,929
Total	<u>\$ 27,830,088</u>	<u>\$ 91,254</u>	<u>\$ 2,055,325</u>	<u>\$ 25,866,017</u>	<u>\$ 2,113,929</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 2,075,000	\$ 842,449	\$ 2,917,449
2016	2,347,582	761,586	3,109,168
2017	2,325,000	680,068	3,005,068
2018	2,275,000	600,911	2,875,911
2019	2,425,000	517,802	2,942,802
2020-2024	12,520,000	1,248,389	13,768,389
2025-2029	1,850,000	36,250	1,886,250
	<u>\$ 25,817,582</u>	<u>\$ 4,687,455</u>	<u>\$ 30,505,037</u>

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, 2014, compensated absences increased \$3,346 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

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>.

Funding Policy. Plan members contribute 3.6625% of their gross salary (or 25% of the required contribution rate of 14.65%), 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, 2014, 2013 and 2012 were \$136,657, \$123,815, and \$120,862, 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

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

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.

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, 2014, 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, 2014, the statute required each participating employer to contribution 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, 2014, 2013, and 2012 were \$13,572, \$13,025, and \$11,754, 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.

The Authority's flood control system is designed to withstand storms of certain levels of severity based on historical climate data. As climate change continues to impact weather and climate conditions, these predictions based on historical data may become less reliable. The flood control system continues to be challenged with unexpectedly heavy storms, which result in high repair, maintenance, and cleaning costs. The future effects of climate change on the Authority's systems and infrastructure assets is not presently determinable, but could have an adverse affect on the Authority.

The Authority is currently investigating the potential effects of climate change in partnership with the Mid Region Council of Governments. The Authority will incorporate more conservative design measures into new designs to address climate change based on the results of the investigation and is developing new design concepts for flood control facilities that will be more resilient to climate change effects.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2014

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, 2014.
- B. Excess of expenditures over appropriations. No fund's expenditures exceeded its budgeted authority for the year ended June 30, 2014.
- C. Designated cash appropriations in excess of available balance. The following fund displayed designated cash balances in excess of available balances for the year ended June 30, 2014:

Capital Projects Fund \$2,800

NOTE 13. Commitments

The Authority had multiple construction projects ongoing as of the year ended June 30, 2014 that are to continue into the following fiscal year. These projects are as follows:

Contractor	Project	Commitment
Bohannon Huston	Harvey Jones Channel Bridget Project PII	\$ 63,474
Select Properties	Paseo del Volcan ROW Acquisition	33,977
Smith Engineering	Lomitas Negras Design	42,639
		<u>\$ 140,090</u>

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

Contractor	Project	Commitment
Unknown	Calabacillas Watershed Mgmt Plan	\$ 34,332
Unknown	Upper SLO Design	110,121
		<u>\$ 144,453</u>

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

Contractor	Project	Commitment
Unknown	Lower Montoyas Project	\$ 2,000,000
Amrep	ROW purchases throughout watersheds	1,000,000
Unknown	Harvey Jones Channel Bridge Project	675,000
Smith Engineering	Lomitas Negras Phase II Design	270,000
Unknown	Black Arroyo Trails Construction Project	790,000
		<u>\$ 4,735,000</u>

NOTE 14. Restricted Net Position

The government-wide statement of net position reports \$8,477,936 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 34.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2014

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:

	Net Position, Beginning	Restatement	Net Position, Beginning, as Restated
GASB 65 Implementation - removal of Bond Issuance Costs and related accumulated amortization as of July 1, 2013	\$ 53,594,435	\$ (218,082)	\$ 53,376,353

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#14-21

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

May 22, 2014 until project completion or two years from effective date, whichever is later.

Project Costs

Total estimated amount of project: \$282,398

Total estimated amount to be contributed by SSCAFCA: \$282,398

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

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, 2014

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, 2014

NOTE 17. Joint Powers Agreements (continued)

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 SSCAFCA: Unknown

Amount Contributed in Current Fiscal Year (SSCAFCA): \$44,538.20

Audit Responsibility

SSCAFCA

Government Agency where Revenues and Expenditures are Reported

SSCAFCA

Intergovernmental Agreement Regarding the Operation, Function and Funding of the Storm Water Team

Participants

Bernalillo County

City of Albuquerque (COA)

Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA)

New Mexico Department of Transportation (NMDOT)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

Storm Water Team, made up of members of the above

Description

To fund and provide for the operations of the Storm Water Team, which serves as the focal point on public education and outreach regarding storm water quality in the Albuquerque Reach of the Rio Grande watershed, which is the area that drains to the Rio Grande between Algodones and Isleta Pueblo.

Effective Dates

Indefinite term, beginning November 26, 2008, and amended January 22, 2013.

Project Costs

Total estimated amount of project: Unknown

Total estimated amount to be contributed by SSCAFCA: \$10,000 for FY 2014

Amount Contributed in Current Fiscal Year (SSCAFCA): \$10,000

Audit Responsibility

Above agencies, to the extent of their contributions

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 17. Joint Powers Agreements (continued)

Intergovernmental Agreement Regarding the Operation, Function and Funding of the Storm Water Team (continued)

Government Agency where Revenues and Expenditures are Reported
Above agencies, to the extent of their contributions.

MOA Mid-Region Council of Governments of New Mexico

Participants

Mid-Region Council of Governments of New Mexico (MRCOG)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

MRCOG

Description

To contract for professional services for the acquisition and production, in Spring 2014, of high-resolution natural color digital orthophotography.

Effective Dates

May 17, 2013 through September 30, 2013.

Project Costs

Total estimated amount of project: Unknown

Total estimated amount to be contributed by SSCAFCA: \$7,500.00

Amount Contributed in Current Fiscal Year (SSCAFCA): \$7,500.00

Audit Responsibility

MRCOG

Government Agency where Revenues and Expenditures are Reported

MRCOG

Intergovernmental Agreement for the Middle Rio Grande Stormwater MS4 Technical Advisory Group

Participants

City of Rio Rancho

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Village of Corrales

Town of Bernalillo

University of New Mexico

Responsible Party for Operations

Middle Rio Grande MS4 Technical Advisory Group (MS4TAG), made up of members of the above

Description

To assist the above parties with technical issues regarding compliance with the MS4 Permit (issued by the EPA) and to fund and provide for the operations of the MS4TAG, to exchange technical information regarding compliance with the MS4 Permit, exchange ideas among Parties regarding compliance efforts, and exchange information regarding illicit discharges detected within each Party's jurisdiction.

Effective Dates

From October 7, 2013, to the date the MS4 Permit is terminated or expires, whichever occurs first.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 17. Joint Powers Agreements (continued)

Intergovernmental Agreement for the Middle Rio Grande Stormwater MS4 Technical Advisory Group (continued)

Project Costs

No financial obligation is created by this agreement.

Audit Responsibility

No audit responsibility is created by this agreement.

Government Agency where Revenues and Expenditures are Reported

No revenues or expenditures are anticipated as a result of this agreement.

Agreement for the Funding and Administration of the Upper Calabacillas Watershed Management Plan Above Swinburne Dam

Participants

Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

SSCAFCA

Description

To collaborate and jointly fund the Upper Calabacillas Watershed Management Plan (UCWMP)

Effective Dates

November 16, 2012 to the completion of the project.

Project Costs

Total estimated amount of project: \$250,000.00

Total estimated amount to be contributed by SSCAFCA: \$200,000.00

Amount Contributed in Current Fiscal Year (SSCAFCA): \$36,763.86

Audit Responsibility

SSCAFCA

Government Agency where Revenues and Expenditures are Reported

SSCAFCA

Intergovernmental Agreement Regarding Flood Control Infrastructure

Participants

Central New Mexico Community College (CNM)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

SSCAFCA

Description

To facilitate development of both the Upper SLO Dam and the CNM-RR Campus; the dam requires construction on a piece of real property owned by CNM to be used for the CNM-RR Campus.

Effective Dates

January 16, 2014 to the completion of the project.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 17. Joint Powers Agreements (continued)

Intergovernmental Agreement Regarding Flood Control Infrastructure (continued)

Project Costs

No project costs are contemplated in this agreement.

Amount Contributed in Current Fiscal Year (SSCAFCA): None

Audit Responsibility

SSCAFCA

Government Agency where Revenues and Expenditures are Reported

SSCAFCA

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 20, 2014, 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 expended \$37,662 of these funds as of November 1, 2014, in addition to the \$47,582 drawn down during the year ended June 30, 2014 and reported as long-term debt on the government-wide financial statements at June 30, 2014. The Authority plans to continue construction of the project funded by this program during the year ended June 30, 2015 and complete the project in Summer, 2015.

In August of 2014, the Authority issued General Obligation Improvement & Refunding Bonds totaling \$8,395,000. These bonds were issued for the purpose of:

- Providing \$1,250,000 for extending, bettering, altering, reconstructing, repairing and otherwise improving the Authority's flood control system;
- Current refunding of the Authority's outstanding General Obligation Bonds, Series 2005 and 2005A;
- Advance refunding of the Authority's General Obligation Bonds, Series 2007 and Series 2007a.

No liability for this bond issuance was recorded on the government-wide financial statements at June 30, 2014.

NOTE 19. Subsequent Pronouncements

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, was issued. 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 will implement this standard during the fiscal year ended June 30, 2015, and believes it will significant impact the Authority's financial statements.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2014

NOTE 19. Subsequent Pronouncements (continued)

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, was issued. 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 November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, was issued. Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during the fiscal year ended June 30, 2015. The Authority is still evaluating how this standard will affect the Authority.

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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, 2014

	Budgeted Amounts			Variations Favorable (Unfavorable) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
<i>Revenues</i>				
Ad valorem assessments	\$ 3,045,000	\$ 3,045,000	\$ 3,128,952	\$ 83,952
Interest income	2,400	2,400	884	(1,516)
<i>Total revenues</i>	<u>3,047,400</u>	<u>3,047,400</u>	<u>3,129,836</u>	<u>82,436</u>
<i>Expenditures</i>				
Debt service				
Principal	2,015,000	2,015,000	2,015,000	-
Interest	961,175	961,175	961,174	1
<i>Total expenditures</i>	<u>2,976,175</u>	<u>2,976,175</u>	<u>2,976,174</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>71,225</u>	<u>71,225</u>	<u>153,662</u>	<u>82,436</u>
<i>Other financing sources (uses)</i>				
Budgeted increase in cash	(71,225)	(71,225)	-	71,225
Bond premiums	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(71,225)</u>	<u>(71,225)</u>	<u>-</u>	<u>71,225</u>
<i>Net change in fund balances</i>	-	-	153,662	153,661
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,674,544</u>	<u>2,674,544</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,828,206</u>	<u>\$ 2,828,205</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			153,662	
Adjustments to revenues for property tax and interest accruals			(8,948)	
No adjustments to expenditures			<u>-</u>	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 144,714</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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
State grants	\$ 2,903,000	\$ 2,903,000	\$ 497,067	\$ (2,405,933)
Federal grants	-	-	23,999	23,999
Miscellaneous revenue	-	-	143,445	143,445
Interest income	2,000	2,000	4,879	2,879
<i>Total revenues</i>	<u>2,905,000</u>	<u>2,905,000</u>	<u>669,390</u>	<u>(2,235,610)</u>
<i>Expenditures</i>				
Operations and maintenance	-	-	2,957,815	(2,957,815)
Capital outlay	9,388,483	9,388,483	2,363,866	7,024,617
<i>Total expenditures</i>	<u>9,388,483</u>	<u>9,388,483</u>	<u>5,321,681</u>	<u>4,066,802</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,483,483)</u>	<u>(6,483,483)</u>	<u>(4,652,291)</u>	<u>1,831,192</u>
<i>Other financing sources (uses)</i>				
Designated cash	6,483,483	6,483,483	-	(6,483,483)
Bond proceeds	-	-	47,582	47,582
<i>Total other financing sources (uses)</i>	<u>6,483,483</u>	<u>6,483,483</u>	<u>47,582</u>	<u>(6,435,901)</u>
<i>Net change in fund balances</i>	-	-	(4,604,709)	(4,604,709)
<i>Fund balances - beginning of year</i>	-	-	6,480,684	6,480,684
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875,975</u>	<u>\$ 1,875,975</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			(4,604,709)	
Adjustments to revenues for property tax and interest accruals and capital contributions			83,771	
Adjustments to expenditures for accounts payable accruals and capital contributions			<u>(529,112)</u>	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ (5,050,050)</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, 2014

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2014	Location of Safekeeper
Wells Fargo Bank, N.A.					
	FNMA FNMS 4.000%	12/1/2040	3138A2BQ1	\$ 187,434	BNY Mellon, One Wall Street, NY NY
	FNMA FNMS 3.000%	2/1/2043	3138NY4W2	<u>668,615</u>	BNY Mellon, One Wall Street, NY NY
	Total Wells Fargo Bank, N.A.			<u>856,049</u>	
	Total Pledged Collateral			<u><u>\$ 856,049</u></u>	

See the accompanying independent auditors' report.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Schedule of Deposit and Investment Accounts
 June 30, 2014

Schedule II

Bank Account Type/Name	Wells Fargo Bank	State Treasurer's Office	Total
Checking - Operational (Non Interest-Bearing)	\$ 945,656	\$ 6,545,691	\$ 7,491,347
Total on deposit	945,656	6,545,691	7,491,347
Reconciling items	(333,851)	(3,428)	(337,279)
Reconciled balance	\$ 611,805	\$ 6,542,263	7,154,068
Plus: Petty cash			200
Total deposits and investments			\$ 7,154,268
Cash and cash equivalents and investments per financial statements:			
Governmental Activities Cash and cash equivalents - Exhibit A-1			\$ 612,005
Governmental Activities Unrestricted Investments - Exhibit A-1			3,714,057
Governmental Activities Restricted Investments - Exhibit A-1			2,828,206
Total cash			\$ 7,154,268

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 Office of Management and Budget
To the Board of Directors of
The Southern Sandoval County Arroyo Flood Control Authority
Rio Rancho, New Mexico

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 the Southern Sandoval County Arroyo Flood Control Authority (the "Authority") as of and for the year ended June 30, 2014, 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 November 20, 2014.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2014-001 and FS 2014-002.

The Authority's Response to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 20, 2014

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Board of Directors of
The Southern Sandoval County Arroyo Flood Control Authority
Rio Rancho, New Mexico

Report on Compliance for the Major Federal Program

We have audited the Southern Sandoval County Arroyo Flood Control Authority's (the "Authority") compliance of with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2014. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Southern Sandoval County Arroyo Flood Control Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 20, 2014

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Passthrough Grantor/ Program Title	Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation			
Highway Planning and Construction (Passed through the New Mexico Department of Transportation)	HJC DOT STPF	20.205	\$ 129,726
Total U.S. Department of Transportation			<u>129,726</u>
Environmental Protection Agency			
Clean Water State Revolving Fund (Passed through the New Mexico Environment Department)	CWSRF 018	66.458	47,582
Total Environmental Protection Agency			<u>47,582</u>
U.S. Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) ** (Passed through the New Mexico Department of Homeland Security and Emergency Management)	043-UN6WS-00	97.036	1,379,670
Total U.S. Department of Homeland Security			<u>1,379,670</u>
Total Federal Financial Assistance			<u><u>\$ 1,556,978</u></u>

** Denotes Major Federal Financial Assistance Program

See independent auditors' report
See accompanying notes to schedule of expenditures of federal awards

Notes to Schedule of Expenditures of Federal Awards1. Basis of Presentation

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

2. Subrecipients

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

3 Loan and Loan Guarantee Programs

At June 30, 2014, the Authority had borrowed \$47,582 under the Clean Water State Revolving Fund program.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,556,978
Total expenditures funded by other sources	<u>9,468,418</u>
Total expenditures	<u><u>\$ 11,025,396</u></u>

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STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Schedule of Findings and Questioned Costs
 June 30, 2014

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 | | | | | | |
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | No | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A0133? | No | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="width: 20px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">97.036</td> <td></td> <td style="text-align: center;">Disaster Grants – Public Assistance
(Presidentially Declared Disasters)</td> </tr> </table> | CFDA
Number | | Federal Program | 97.036 | | Disaster Grants – Public Assistance
(Presidentially Declared Disasters) | |
| CFDA
Number | | Federal Program | | | | | |
| 97.036 | | Disaster Grants – Public Assistance
(Presidentially Declared Disasters) | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2014-001 Stale Dated Transaction Not Cancelled (Other Matter)

Condition: The Authority is in violation of state statutes regarding stale-dated checks. The Authority maintained two checks in the general fund that were over one year old at June 30, 2014, totaling \$350.92.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that the Authority provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: Carrying outdated bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds. The Authority is not in compliance with the related state statute.

Cause: The Authority did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Auditors' Recommendations: We recommend that the Authority implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided. Also, we recommend that the Authority provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

Views of Responsible Officials and Planned Corrective Actions: The Authority has voided, placed stop payment and reissued the two checks. The Authority has begun reviewing the outstanding check register monthly for any stale-dated checks. If there are any checks older than one year, we will void them, place a stop payment and contact the vendor about reissuing. If unable to reach the vendor, we will provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

FS 2014-002 Designated Cash Appropriations Exceeded Prior Year Available Balances (Other Matter)

Condition: The Authority's budgeted expenditures exceeded the total of budgeted revenues and beginning cash and investments for the year ended June 30, 2014, in the following fund:

Capital Projects Fund	\$2,800
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Criteria: Section 2.2.2.10 (P) (1), NMAC, states that the Authority's cash balances rebudgeted to absorb budgeted deficits cannot exceed the actual cash balance available at the end of the prior year..

Effect: The Authority is not in compliance with the above referenced statute.

Cause: Valuation allowances carried on the books for worthless investments were not considered during the budgeting process. The entire investment balance was budgeted for, without regard to the valuation allowance netted against the investment balance.

Auditors' Recommendations: We recommend that the Authority update its budget process to include consideration of the valuation allowances related to the LGIP investment accounts and include such allowances in the balance of investments available for appropriation each year.

Views of Responsible Officials and Planned Corrective Actions: The Authority has updated its budget process to include consideration of the valuation allowances related to the LGIP investment accounts and will include such allowance in the balance of investments available for appropriation each year.

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C. PRIOR YEAR AUDIT FINDINGS

None.

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OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 20, 2014. In attendance were the following:

Southern Sandoval County Arroyo Flood Control Authority

Mark Conkling, Board Treasurer
Charles Thomas, P.E., Executive Engineer
Deborah Casaus, CPA, Fiscal Services Director
Erica Baca, Accountant

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.