



State of  
New Mexico  
Southern Sandoval  
County Arroyo  
Flood Control  
Authority

Financial Statements  
with Accompanying Auditors' Reports  
For the Year Ended June 30, 2016



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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, 2016

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**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Official Roster  
June 30, 2016

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
James F. Fahey Jr.		Chairman
Steve House		Chair Pro Tem
John Chaney		Chair Pro Tem (Alternate)
Michael Obrey		Treasurer
Mark Conkling		Secretary
	<u>Officials</u>	
Charles Thomas, P.E.		Executive Engineer
Deborah Casaus, CPA		Fiscal Services Director

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget  
To the Board of Directors of  
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, 2016, 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 budgetary comparisons for the major capital projects fund and debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2016, 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.

### Auditors' 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, 2016, 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, 2016, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 18, and Schedules I and II and the notes to the Required Supplementary Information on pages 64 through 66 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*

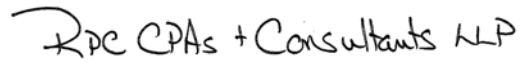
Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards, required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Supporting Schedules III through V 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 III and IV 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 III and IV 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 and Schedule V have 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 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.



RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
November 21, 2016

# Southern Sandoval County Arroyo Flood Control Authority

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## Management's Discussion and Analysis For the Fiscal Year Ending June 30, 2016

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, 2016. 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, 2016. All of the current year's revenues 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, the Independent Auditor's Report on Compliance for Each Major Federal Program on Internal Control Over Compliance Required by the Uniform Guidance, and a Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

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

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

# Southern Sandoval County Arroyo Flood Control Authority

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Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

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

In the upcoming fiscal year, SSCAFCA will be focusing on several priorities: completion of construction projects; acquisition of needed ROW; and updating our Development Process Manual.

By aggressively seeking funding match opportunities and completing design of projects the construction pipeline is fully activated, with up to 5 construction projects expected to be completed during the next calendar year. Ensuring timely completion and full compliance with general public funding requirements along with any additional specific reporting or administrative requirements of the various funding agencies and funding sources is our top priority.

During the past fiscal year, SSCAFCA completed an evaluation comparing acquisition of ROW in areas threatened by arroyo lateral migration versus completing hardened bank stabilization. The evaluation showed that in many of the areas where there are no significant improvements, such as major utilities (water, electricity, gas), it is significantly more cost effective to acquire the ROW on a linear foot unit comparison. This has increased the overall ROW acquisition goal and will remain a priority for several years.

During the research and evaluation of the impacts of climate change, along with investigating the accuracy of various hydrologic methods for quantifying rainfall and association runoff, we have determined that these sections of our Design Process Manual, the guiding document for SSCAFCA and for local development projects as it related to drainage needs, will need to be updated to currently accepted methodologies.

## **Significant Financial Highlights for the Year Ending June 30, 2016**

The overall Net Position of the Authority increased from \$58,248,387 for the year ending June 30, 2015 to \$63,021,152 for the year ending June 30, 2016. This represents an increase in net position of \$4,772,765. Total cash and investments decreased by \$1,377,886 primarily resulting from cash outflows for the purchase and construction of capital assets. Total liabilities decreased by \$1,620,450 resulting from the net effect of debt payments, increases in the net pension liability, and changes in short-term liabilities.

# Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

## 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 \$63,021,152 at June 30, 2016. The Authority has \$7,669,773 in cash and investments on hand as of June 30, 2015 compared to \$3,314,331 in accounts payable and other current liabilities. Net Position totaling \$5,617,027 is "restricted" for debt service. Net Position totaling \$2,390,687 is "unrestricted". The Authority's overall financial position improved between 2015 and 2016. Capital assets increased by \$3,775,594, due to increases in land, infrastructure, and construction-in-progress for current and planned flood control facilities.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
<b>Assets and Deferred Outflows of Resources</b>		
Cash and Investments	\$ 9,047,659	\$ 7,669,773
Other Assets	1,581,175	2,157,978
Capital and Intangible Assets, net of depreciation and amortization	75,401,029	79,176,623
Deferred Outflows of Resources	150,710	95,900
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 86,180,573</u></b>	<b><u>\$ 89,100,274</u></b>
 <b>Liabilities and Deferred Inflows of Resources</b>		
Current Liabilities	2,989,948	3,314,331
Long Term Liabilities	24,686,650	22,741,817
Deferred Inflows of Resources	255,588	22,974
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b><u>\$ 27,932,186</u></b>	<b><u>\$ 26,079,122</u></b>
 <b>Net Position</b>		
Net Investment in Capital Assets	49,010,235	55,013,438
Restricted	6,503,686	3,443,342
Unrestricted	2,734,466	4,564,372
<b>Total Net Position</b>	<b><u>\$ 58,248,387</u></b>	<b><u>\$ 63,021,152</u></b>

GASB 34 rules now require public entities to depreciate and amortize, as appropriate, capital assets. This statement includes accumulated depreciation of the Authority's capital assets in the amount of \$11,274,654, and accumulated amortization of \$603,476. 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's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

## 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, 2016. As of June 30, 2016, the Authority had net position of \$63,021,152. The beginning total net position for the 2015 fiscal year is \$58,248,387 reflecting an increase in total net position of \$4,772,765 for the year ending June 30, 2016. The increase is primarily attributable to the acquisition and construction of capital assets, partially funded by grants from the Federal and State government, and receipt of property tax revenues. The Authority also realized a reduction in expenses of \$423,343. Otherwise, operations of the Authority did not change significantly from the prior year.

	June 30, 2015	June 30, 2016
<b>Expenses for Governmental Activities</b>	\$ 4,005,003	\$ 3,581,660
Less Capital Grants and Contributions	1,108,406	3,296,143
<b>Net (Expenses) Revenues and Changes in Net Position</b>	<b>(2,896,597)</b>	<b>(285,517)</b>
 <b>General Revenues</b>		
Taxes - general, debt service, capital projects	5,209,963	5,265,734
Interest and Earnings on Investments	9,454	16,458
Miscellaneous	63,218	2,329
Loss on disposal on capital assets	(38,324)	-
Transfer of asset to outside governmental entity	-	(226,239)
<b>Subtotal, General Revenues</b>	<b>5,244,311</b>	<b>5,058,282</b>
 <b>Changes in Net Position</b>	<b>2,347,714</b>	<b>4,772,765</b>
 <b>Net Position - Beginning</b>	<b>56,706,660</b>	<b>58,248,387</b>
 <b>Restatement</b>	<b>(805,987)</b>	<b>-</b>
 <b>Net Position - Ending</b>	<b>\$ 58,248,387</b>	<b>\$ 63,021,152</b>

## FUND FINANCIAL STATEMENTS

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances guides the reader to a meaningful overall view for the Authority's revenue, expenditures and changes in fund balances. Total revenues were \$7,732,188. Total expenditures for the Authority were \$9,938,992. The Authority also received bond proceeds of \$696,789 during FY 2016. Total ending fund balance was \$7,784,961, for a decrease of \$1,510,015 from the prior year. The decrease is due to expenditures financed by grants that were not received within the period of availability.

### 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. The 2014-2015 revenue and expenditure figures include the effects of a large bond issuance and the refunding of existing debt and may be considered an outlier year for both revenues and expenditures.

Year	Total Revenues *	Increase %	Total Expenditures *	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%
2014-2015	19,185,703	125%	16,615,097	80%
2015-2016	8,428,977	-178%	9,938,992	-61%

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

# Southern Sandoval County Arroyo Flood Control Authority

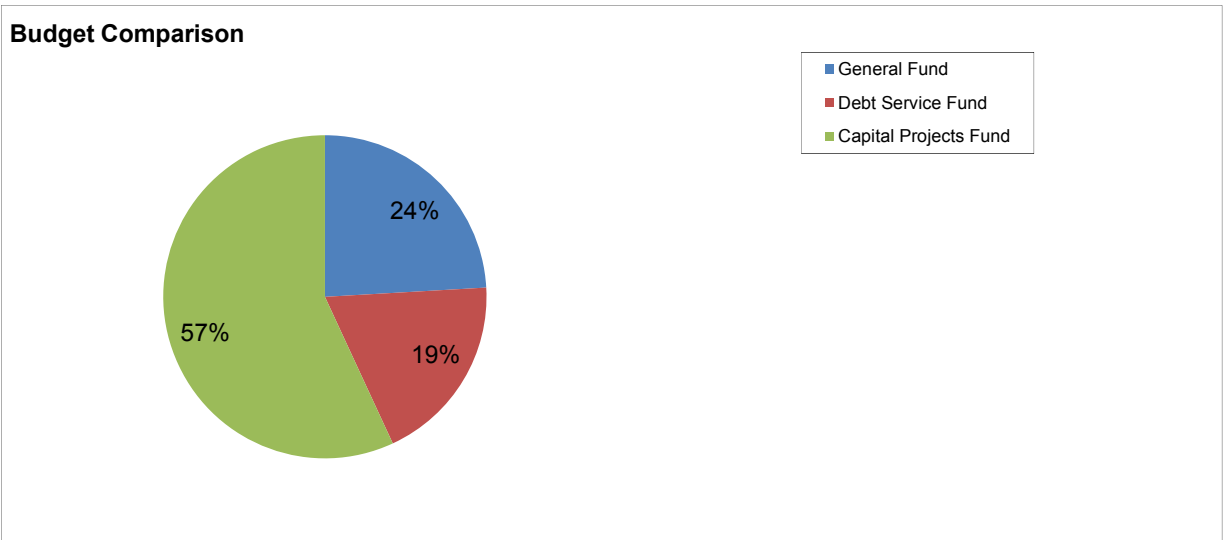
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

## **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 24% 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's Discussion and Analysis For the Fiscal Year Ending June 30, 2016

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2015. 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	3,849,478	2,033,936	1,815,542
Debt Service	3,032,495	3,032,494	1
Capital Projects	9,086,536	4,429,794	4,656,742

The General Fund expenditures remained favorable to the final budget by \$1,815,542 or 47%. This difference was primarily in amounts budgeted for severe storm clean-up from general funds that was not needed during the 2014-15 fiscal year, and lower-than-expected expenditures for contractual services.

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 \$2,111,906 of the total \$7,732,188 in overall Authority revenues.

The following table displays historical revenues of the General Fund.

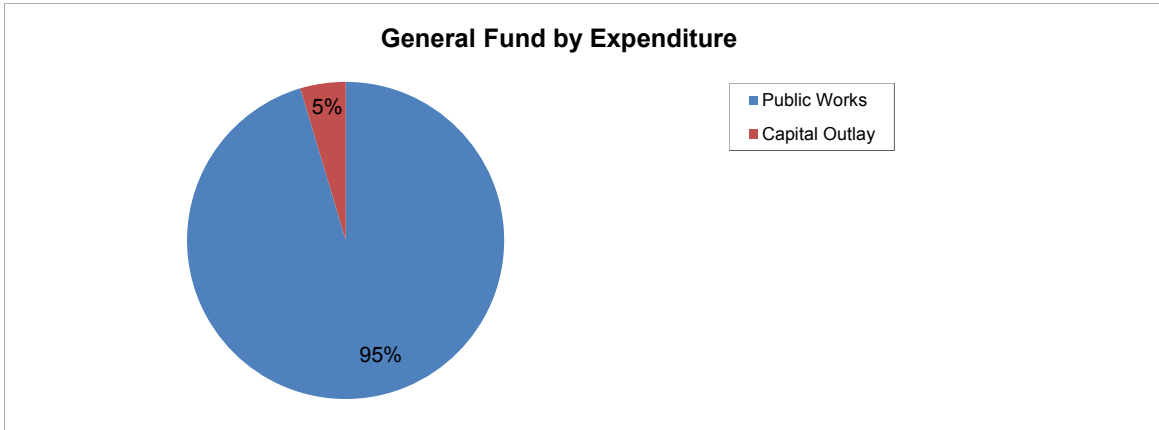
Year	Revenues	Increase (Decrease) %
2009-2010	2,081,882	35%
2010-2011	2,169,920	4%
2011-2012	2,355,818	9%
2012-2013	2,108,958	-10%
2013-2014	2,086,306	-1%
2014-2015	2,110,322	1%
2015-2016	2,111,906	0%



# Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

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 95% of the General Fund's expenditures for the 2016 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, 2014	Balance June 30, 2015	Balance June 30, 2016
Land and easements	\$ 31,067,622	\$ 33,092,195	\$ 33,487,899
Construction in progress	2,502,551	4,483,036	4,009,040
Building and improvements	3,296,510	3,296,510	3,296,510
Furniture, equipment and vehicles	483,279	421,441	421,441
Flood control system - dams, ponds and drainage channels	43,457,123	43,743,397	48,453,486
Less accumulated depreciation	(9,818,964)	(10,513,131)	(11,274,644)
Intangible assets	1,246,997	1,345,360	1,386,365
Less accumulated amortization	(335,317)	(467,779)	(603,476)
Capital assets, net	\$ 71,899,801	\$ 75,401,029	\$ 79,176,621

Major additions during the 2016 fiscal year include acquisition of approximately 30.9 acres of needed right of way as well as 11.3 acres of donated right of way for future flood control facilities for an approximate value of \$390,000. In addition to our semiannual routine maintenance of all our facilities, SCAFCA completed several small improvements in its jurisdiction. SCAFCA also completed construction on the several improvements that began in the 2015 fiscal year which include the Harvey Jones Channel Improvements, the Black Arroyo Wildlife Park bridge & trails - Phase 1, the Lower Montoyas Water Quality Feature and the Rosko's Water Harvesting Shade Structure. The constructed infrastructure added approximately \$4.9 million in infrastructure. SCAFCA also began construction on the Campus Dam as well as the Montoyas Arroyo Stabilization project. SCAFCA also began planning and designing other improvement projects which are planned to be constructed in the 2017 fiscal year. These projects include the Calle Baack Drainage Improvements, the Black Arroyo Wildlife Park bridge & trails - Phase 2 and the Alberta Phase II Improvements.

# Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2016

## **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, 2016.

Year Ended June 30	Principal	Interest	Totals
2017	\$ 2,325,000	\$ 669,195	\$ 2,994,195
2018	2,406,520	593,074	2,999,594
2019	2,532,915	535,321	3,068,236
2020	2,709,353	468,658	3,178,011
2021	2,700,833	407,043	3,107,876
2022-2026	2,977,977	504,716	3,482,693
2027-2031	7,522,252	397,695	7,919,947
2032-2036	563,578	39,765	603,343
2037-2041	81,572	2,092	83,664
Total	\$ 23,820,000	\$ 3,617,559	\$ 27,437,559

The Authority completed drawing down the bond funds available to it in the Clean Water State Revolving Fund program. This consisted of a total of \$696,789, of which \$550,229 was recognized in FY 2015 at the government-wide level, but in FY 2016 at the fund level, due to modified accrual revenue recognition requirements. The Authority also made regularly scheduled principal and interest payments as required.

## **Future Trends**

SSCAFCA has recently completed a successful Bond Election and has received voter authorization for \$21 million in new bonding authority for projects. One outcome of this election cycle was a broader awareness that although SSSCAFCA and flood control are obviously viewed favorably, the general public have only a very vague concept of what SSSCAFCA is or does. Moving forward, SSSCAFCA will be working on increasing public awareness of SSSCAFCA goals, projects and our enabling legislative requirements.

SSCAFCA will also be working on increasing the peer recognition of SSSCAFCA and SSSCAFCA staff as experts in arid geography flood control. SSSCAFCA will be completing case studies and research analysis to further define and enhance flood control in arid environments.

Locally, development is beginning to steadily increase. Most significantly, the Mariposa Development has been selling homes quickly and AMREP, a large development corporation with holdings in New Mexico has re-started development of a 1,000 home development in northeast Rio Rancho. This will likely have a positive impact on the Assessed Valuation but will also increase property value of vacant land, which will reduce the amount of ROW acquisition.

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Statement of Net Position  
June 30, 2016

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 163,616
Unrestricted investments	4,278,605
Receivables:	
Ad valorem assessments	412,834
Intergovernmental	1,724,007
Interest	20,607
Prepaid assets	<u>530</u>
Total current assets	<u>6,600,199</u>
Noncurrent assets:	
Restricted investments	3,227,552
Capital assets	
Land and easements	33,487,899
Construction in progress	4,009,042
Depreciable buildings, furniture, equipment, and flood control system, net	40,896,794
Intangible assets, net	<u>782,888</u>
Total noncurrent assets	<u>82,404,175</u>
<i>Total assets</i>	<u>89,004,374</u>
<b>Deferred Outflows of Resources</b>	
Change in assumptions	95
Change in proportion	22,040
Employer contributions subsequent to the measurement date	<u>73,765</u>
<i>Total deferred outflows of resources</i>	<u>95,900</u>
<i>Total assets and deferred outflows of resources</i>	<u><u>\$ 89,100,274</u></u>

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



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**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Statement of Activities  
 For the Year Ended June 30, 2016

Exhibit A-2

	<u><b>Governmental Activities</b></u>
<b>Program Expenses</b>	
Public works:	
Personnel services	\$ 858,377
Employee benefits	326,698
General and administrative expenses	387,859
Contractual operating and maintenance services	499,509
Depreciation and amortization	897,209
Interest	<u>612,008</u>
<i>Total program expenses</i>	<u>3,581,660</u>
<b>Program Revenues</b>	
Capital contributions	<u>5,671</u>
<i>Total program revenues</i>	<u>5,671</u>
<b>Capital Grants</b>	
Public works capital grants	<u>3,290,472</u>
<i>Total capital grants</i>	<u>3,290,472</u>
Net (expense) revenue - Public Works	<u>(285,517)</u>
<b>General Revenues</b>	
Ad valorem assessments	5,265,734
Investment income	16,458
Miscellaneous revenues	2,329
Transfer of asset to outside governmental entity	<u>(226,239)</u>
<i>Total general revenues</i>	<u>5,058,282</u>
Change in net position	4,772,765
<i>Total net position - beginning of year</i>	<u>58,248,387</u>
<i>Total net position - end of year</i>	<u><u>\$ 63,021,152</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, 2016

Exhibit B-1  
Page 1 of 2

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 163,616	\$ -	\$ -	\$ 163,616
Investments	2,493,207	3,227,552	1,785,398	7,506,157
Receivables:				
Ad valorem assessments	169,400	243,434	-	412,834
Intergovernmental	-	-	1,724,007	1,724,007
Interest	652	766	703	2,121
Miscellaneous	7,960	-	10,526	18,486
Prepaid assets	530	-	-	530
Due from other funds	-	79,068	-	79,068
<i>Total assets</i>	<u>\$ 2,835,365</u>	<u>\$ 3,550,820</u>	<u>\$ 3,520,634</u>	<u>\$ 9,906,819</u>
<i>Liabilities</i>				
Accounts payable	\$ 11,631	\$ -	565,631	\$ 577,262
Accrued payroll	44,210	-	-	44,210
Due to other funds	3,633	-	75,435	79,068
<i>Total liabilities</i>	<u>59,474</u>	<u>-</u>	<u>641,066</u>	<u>700,540</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	146,191	207,719	-	353,910
Unavailable revenue - intergovernmental	-	-	1,067,408	1,067,408
<i>Total deferred inflows of resources</i>	<u>146,191</u>	<u>207,719</u>	<u>1,067,408</u>	<u>1,421,318</u>
<i>Fund balances</i>				
Nonspendable:				
Prepaid expenses	530	-	-	530
Spendable				
Restricted for:				
Debt service	-	3,343,101	-	3,343,101
Committed for:				
Subsequent years' expenditures	330,798	-	-	330,798
Assigned	419,202	-	1,812,160	2,231,362
Unassigned	1,879,170	-	-	1,879,170
<i>Total fund balances</i>	<u>2,629,700</u>	<u>3,343,101</u>	<u>1,812,160</u>	<u>7,784,961</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,835,365</u>	<u>\$ 3,550,820</u>	<u>\$ 3,520,634</u>	<u>\$ 9,906,819</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, 2016

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

Fund balances - total governmental funds	\$ 7,784,961
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,176,623
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	353,910
Certain amounts receivable under grant agreements are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	1,067,408
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to employer contributions subsequent to the measurement date	73,765
Deferred outflows of resources related to changes in proportion	22,040
Deferred outflows of resources related to changes in assumptions	95
Deferred inflows of resources related to differences between expected and actual experience	(19,716)
Deferred inflows of resources related to changes in assumptions	(442)
Deferred inflows of resources related to investment experience	(2,816)
Accrued interest is not due and payable with current financial resources therefore are not reported in the funds	(319,448)
Some liabilities, including bonds payable, the net pension liability and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(23,820,000)
Bond premiums	(343,185)
Compensated absences	(61,944)
Net pension liability	(890,099)
<i>Total net position</i>	<u><u>\$ 63,021,152</u></u>

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

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

Exhibit B-2  
 Page 1 of 2

	<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	\$ 2,104,327	\$ 3,159,354	\$ -	\$ 5,263,681
Federal grants	-	-	1,183,155	1,183,155
State grants	-	-	1,266,565	1,266,565
Interest	5,250	4,107	7,101	16,458
Miscellaneous	2,329	-	-	2,329
<i>Total revenues</i>	<u>2,111,906</u>	<u>3,163,461</u>	<u>2,456,821</u>	<u>7,732,188</u>
<i>Expenditures</i>				
Current:				
Public works	1,970,906	-	42,222	2,013,128
Capital outlay	95,229	-	4,798,141	4,893,370
Debt service:				
Principal	-	2,325,000	-	2,325,000
Interest	-	707,494	-	707,494
<i>Total expenditures</i>	<u>2,066,135</u>	<u>3,032,494</u>	<u>4,840,363</u>	<u>9,938,992</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>45,771</u>	<u>130,967</u>	<u>(2,383,542)</u>	<u>(2,206,804)</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	696,789	696,789
Proceeds of refunding bonds	-	-	-	-
Bond premiums	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>696,789</u>	<u>696,789</u>
<i>Net change in fund balances</i>	45,771	130,967	(1,686,753)	(1,510,015)
<i>Fund balances - beginning</i>	<u>2,583,929</u>	<u>3,212,134</u>	<u>3,498,913</u>	<u>9,294,976</u>
<i>Fund balances - ending</i>	<u>\$ 2,629,700</u>	<u>\$ 3,343,101</u>	<u>\$ 1,812,160</u>	<u>\$ 7,784,961</u>

The accompanying notes are an integral part of the 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, 2016

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

Net change in fund balances - total governmental funds	\$ (1,510,015)
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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	4,893,370
Donated capital assets	5,671
Capital asset transferred to other governmental entity	(226,239)
Depreciation of assets	(761,513)
Amortization of assets	(135,697)

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	(6,094)
Change in unavailable revenue related to grants receivable	298,670

Governmental funds report Authority pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Authority pension contributions	73,765
Pension expense	(133,890)

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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond proceeds	(146,560)
Recognition of full-accrual interest expense	46,319
Amortization of bond premiums	49,169
Decrease in the reserve for compensated absences	809
Principal payments on bonds	2,325,000

<i>Change in net position of governmental activities</i>	<u><u>\$ 4,772,765</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO

Exhibit C-1

Southern Sandoval County Arroyo Flood Control Authority  
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Ad valorem assessments	\$ 2,022,848	\$ 2,022,848	\$ 2,102,179	\$ 79,331
Interest income	1,000	1,000	4,795	3,795
Miscellaneous	-	-	2,329	2,329
<i>Total revenues</i>	<u>2,023,848</u>	<u>2,023,848</u>	<u>2,109,303</u>	<u>85,455</u>
<i>Expenditures</i>				
Salaries	866,075	866,075	750,882	115,193
Benefits and taxes	387,718	387,718	361,956	25,762
Administrative fees	56,000	56,000	53,245	2,755
Audit expense	20,000	20,000	16,053	3,947
Board meetings and elections	26,000	26,000	8,624	17,376
Contractual services	319,000	319,000	250,979	68,021
Education outreach	64,500	64,500	27,038	37,462
Environmental permitting	46,000	46,000	7,960	38,040
Insurance and bonds	114,250	114,250	31,106	83,144
Legal ads and notices	12,400	12,400	4,348	8,052
Maintenance and fuel	46,000	46,000	58,408	(12,408)
Membership fees	18,000	18,000	10,607	7,393
Miscellaneous	6,564	6,564	1,547	5,017
Occupancy expenses	23,700	23,700	23,687	13
Office supplies and printing	28,100	28,100	19,780	8,320
Paying agent expense	3,000	3,000	1,847	1,153
Planning, engineering and construction	75,500	75,500	95,229	(19,729)
ROW acquisition and costs	44,000	44,000	1,102	42,898
Property tax	10,000	10,000	2,729	7,271
Staff training and travel	44,000	44,000	19,708	24,292
Operations and maintenance	1,515,982	1,515,982	233,219	1,282,763
Furniture and equipment and rental	10,000	10,000	5,286	4,714
Computers, software and mapping	95,689	95,689	48,594	47,095
Capital furniture and equipment	17,000	17,000	2	16,998
<i>Total expenditures</i>	<u>3,849,478</u>	<u>3,849,478</u>	<u>2,033,936</u>	<u>1,815,542</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,825,630)</u>	<u>(1,825,630)</u>	<u>75,367</u>	<u>1,900,997</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,825,630	1,825,630	-	1,825,630
<i>Total other financing sources (uses)</i>	<u>1,825,630</u>	<u>1,825,630</u>	<u>-</u>	<u>1,825,630</u>
<i>Net change in fund balances</i>	-	-	75,367	75,367
<i>Fund balances - beginning of year</i>	-	-	2,577,823	2,577,823
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,653,190</u>	<u>\$ 2,653,190</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			75,367	
Adjustments to revenues for property tax and interest accruals			2,603	
Adjustments to expenditures for accounts payable and payroll accruals			(32,199)	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 45,771</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, 2016

**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, 2016, the Authority adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statements Nos. 72, 76, and 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016. The Authority has implemented GASB Statement No. 82 early, as encouraged by the Statement.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

In addition, effective for June 30, 2016 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

*A. Financial Reporting Entity*

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

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

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 Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Authority's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.



**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

*B. Government-wide and fund financial statements (continued)*

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.

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.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Authority's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Authority's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Authority facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

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

The Authority reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Authority does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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.

Under the requirements of GASB Statement No. 34, the Authority is required to present certain of its governmental funds as major based upon certain criteria. 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.

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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, 2016, the Authority maintained a balance of \$7,506,157 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.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)*

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 2016 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2016. 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 land and easements, buildings and improvements, furniture, equipment vehicles, and flood control system assets, 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.

Intangible assets which have a cost of \$5,000 or more at the date placed in service are capitalized, representing the costs of process and operations and maintenance manuals, watershed management plans, drainage facility plans, various educational materials, and emergency action plans. Intangible assets 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.

**STATE OF NEW MEXICO**  
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 June 30, 2016

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

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)*

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
Furniture, equipment and vehicles	7-12
Flood control system - dams, ponds, drainage channels	70
Intangible assets	5-10

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to future periods and so will not be recognized as outflows of resources (expenditure) until that time. The Authority has three types of items that qualify for reporting in this category: changes in assumptions of \$95; changes in proportion of \$22,040; and employer contributions subsequent to the measurement date in the amount of \$73,765. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in future periods and will reduce the net pension liability in future periods.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as inflows of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Authority has two items, which arise under the modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the items, unavailable revenue – property taxes and unavailable revenue – intergovernmental grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The Authority has recorded \$353,910 related to property taxes considered “unavailable” and \$1,067,408 related to intergovernmental grants considered “unavailable”. In addition, the Authority has three types of items presented on the Statement of Net Position that qualify for reporting in this category: changes in assumptions of \$442; differences between expected and actual experience of \$19,716; and the net difference between projected and actual investment earnings of \$2,816. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**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 serve. 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, 2016, accrued vested annual leave totaled \$61,944.

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

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)*

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 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 expensed as incurred.

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.

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, 2016, the nonspendable fund balance in the governmental funds consists of amounts associated with prepaid expense contracts in the amount of \$530 that is not in spendable form.

**Restricted, Committed and Assigned Fund Balance:** At June 30, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$3,343,101 for the payment of future debt service expenditures.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)*

The Authority has presented committed fund balance in the general fund on the governmental funds balance sheet in the amount of \$330,798, which represents 1/12 of budgeted expenditures for the year ended June 30, 2017.

The Authority also assigns a portion of fund balance for specific future use, not available for appropriation or expenditure totaling \$419,202. The Authority has also assigned fund balances of \$1,812,160 in the Capital Projects fund for purchase, construction, improvement, and maintenance of flood control system assets. 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 are described on page 34.
- c. Unrestricted Net Position: Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**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, the net pension liability and related amounts, and the current portion of accrued compensated absences.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

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

*E. Revenues*

**Tax Revenues:** The Authority receives mill levy and ad-valorem tax revenues primarily for debt service and operational 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 \$5,263,681 in tax revenues in the governmental fund financial statements during the year ended June 30, 2016. 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, 2016, donated assets amounted to \$5,671 and are reported as capital contributions in the Statement of Activities.

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

*Budgetary Information*

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

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

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, 2016

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

*Budgetary Information (continued)*

The appropriated budget for the year ended June 30, 2016 was properly amended by the Authority's Board of Directors throughout the year. These amendments resulted in the following changes:

	<b>Excess (deficiency) of revenues over expenditures</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
Budgeted Funds:		
General Fund	\$ (1,825,630)	\$ (1,825,630)
Debt Service Fund	\$ 47,925	\$ 47,925
Capital Projects Fund	\$ (3,373,314)	\$ (3,373,314)

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, 2016.

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.

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.



**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

*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, 2016, \$288,004 of the Authority’s bank balance of \$538,004 was subject to custodial credit risk, all of which was uninsured. \$189,131 was collateralized by securities held by the pledging bank’s trust department, not in the Authority’s name. \$98,873 was uninsured and uncollateralized at June 30, 2016.

The collateral pledged is listed on Schedule III 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.

	<b>Wells Fargo Bank, N.A.</b>
Amount of deposits	\$ 538,004
FDIC coverage	(250,000)
Total uninsured public funds	288,004
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	189,131
Uninsured and uncollateralized	\$ 98,873
Collateral requirement (50%)	\$ 144,002
Pledged securities	189,131
Over (under) collateralized	\$ 45,129

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	\$ 163,616
Add: outstanding checks and other reconciling items	374,588
Less: petty cash	(200)
Bank balance of deposits	\$ 538,004

**Investments**

Credit Risk

As of June 30, 2016, the Authority’s investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor’s.

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

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, 2016, 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	44 days (WAM(R)); 77 days (WAM(F))	<u>\$ 7,506,157</u>	AAAm

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Authority maintained a balance of \$7,506,157 in the LGIP at year end which required fair value disclosure.

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

The following table sets forth by level within the fair value hierarchy, the Authority's assets at fair value as of June 30, 2016:

<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
\$ 7,506,157	\$ 7,506,157	\$ -	\$ -

**NOTE 4. Accounts Receivable**

Accounts receivable as of June 30, 2016, are as follows:

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
Property taxes	\$ 169,400	\$ 243,434	\$ -	\$ 412,834
Intergovernmental:				
Federal grants	-	-	299,361	299,361
State grants	-	-	1,424,646	1,424,646
Interest	652	766	703	2,121
Miscellaneous	7,960	-	10,526	18,486
Totals	\$ 178,012	\$ 244,200	\$ 1,735,236	\$ 2,157,448

In accordance with GASB No. 33, property tax revenues in the amount of \$353,910 and grant revenues in the amount of \$1,067,408 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.

**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 at June 30, 2016 is as follows:

	<b>Due from other funds</b>	<b>Due to other funds</b>
Capital Projects Fund	\$ -	\$ 75,435
Debt Service Fund	79,068	-
General Fund	-	3,633
Total	\$ 79,068	\$ 79,068

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

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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2015</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land and easements:				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	32,863,696	395,703	-	33,259,399
Total land and easements	33,092,196	395,703	-	33,487,899
Construction in progress	4,483,036	4,909,309	5,383,305	4,009,040
Total capital assets not being depreciated	<u>37,575,232</u>	<u>5,305,012</u>	<u>5,383,305</u>	<u>37,496,939</u>
Capital assets being depreciated:				
Building and improvements	3,296,510	-	-	3,296,510
Furniture, equipment, and vehicles	421,441	-	-	421,441
Flood control system - dams, ponds, and drainage channels	43,743,397	4,936,328	226,239	48,453,486
Total capital assets being depreciated	<u>47,461,348</u>	<u>4,936,328</u>	<u>226,239</u>	<u>52,171,437</u>
Less accumulated depreciation:				
Building and improvements	652,673	83,731	-	736,404
Furniture, equipment and vehicles	270,982	24,703	-	295,685
Flood control system - dams, ponds and drainage channels	9,589,476	653,079	-	10,242,555
Total accumulated depreciation	<u>10,513,131</u>	<u>761,513</u>	<u>-</u>	<u>11,274,644</u>
Depreciable assets, net of depreciation	<u>36,948,217</u>	<u>4,174,815</u>	<u>226,239</u>	<u>40,896,793</u>
Intangible assets	1,345,359	41,006	-	1,386,365
Less accumulated amortization	467,779	135,697	-	603,476
Intangible assets, net of amortization	<u>877,580</u>	<u>(94,691)</u>	<u>-</u>	<u>782,889</u>
Total capital assets, net of depreciation, and amortization	<u>\$ 75,401,029</u>	<u>\$ 9,385,136</u>	<u>\$ 5,609,544</u>	<u>\$ 79,176,621</u>

The Authority received donated assets in the amount of \$5,617 during the year ended June 30, 2016. The Authority transferred a newly-constructed asset costing \$226,239 to another governmental entity during the year ended June 30, 2016.

For the year ended June 30, 2016, depreciation expense of \$761,513 and amortization expense of \$135,697 was charged to the Public Works function.

**STATE OF NEW MEXICO**  
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**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, with balances outstanding at any time during the year ended June 30, 2016, was \$37,328,440. During the year, GO bonds totaling \$146,560, 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, 2016 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, and are considered to be restricted for debt service.

Bonds outstanding at June 30, 2016, are comprised of the following:

<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.	\$ 3,700,000
<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>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.	4,275,000
<u>Series 2014</u>	
\$8,395,000 issued August 16, 2014, with variable interest from 2.00% to 4.00% paid semi-annually in February and August, principal payments due annually commencing August 1, 2015, maturing August 1, 2028.	7,595,000
<u>NMED CWSRF GO Bond</u>	
\$1,250,000 issued May 2, 2013. 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. The first principal payment is due July 13, 2017. The debt matures on July 13, 2036.	<u>1,250,000</u>
Total bonds payable	<u><u>\$ 23,820,000</u></u>

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

The following is a summary of the long-term debt and the activity for the year ended June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 25,998,440	\$ 146,560	\$ 2,325,000	\$ 23,820,000	\$ 2,325,000
Compensated absences	62,753	51,533	52,342	61,944	48,411
Total	<u>\$ 26,061,193</u>	<u>\$ 198,093</u>	<u>\$ 2,377,342</u>	<u>\$ 23,881,944</u>	<u>\$ 2,373,411</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2017	\$ 2,325,000	\$ 669,195	\$ 2,994,195
2018	2,406,520	593,074	2,999,594
2019	2,532,915	535,321	3,068,236
2020	2,709,353	468,658	3,178,011
2021	2,700,833	407,043	3,107,876
2022-2026	2,977,977	504,716	3,482,693
2027-2031	7,522,252	397,695	7,919,947
2032-2036	563,578	39,765	603,343
2037-2041	81,572	2,092	83,664
	<u>\$ 23,820,000</u>	<u>\$ 3,617,559</u>	<u>\$ 27,437,559</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, 2016, compensated absences decreased \$809 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. For part of the year, the Authority carried 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.

During the year ended June 30, 2016, the Authority became a member and secured insurance coverage through the New Mexico Self Insurers' Fund. New Mexico Municipal League organized and administers the Fund, which offers Workers' Compensation, general liability, law enforcement, civil rights, errors and omissions, auto liability, auto physical damage, and property and volunteer coverage to its members. The Authority pays insurance premiums to the Fund based on claim experience and the status of the pool. The Authority is not liable for more than the premiums paid.

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

**Plan Description:** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

**Contributions.** The contribution requirements of defined benefit plan members and Southern Sandoval County Arroyo Flood Control Authority are established in State Statute under Chapter 10, Article 11 NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf). The PERA coverage option that applies to Southern Sandoval County Arroyo Flood Control Authority is the Municipal General Division. Statutorily required contributions to the pension plan from Southern Sandoval County Arroyo Flood Control Authority were \$73,765, and employer paid member benefits that were “picked up” by the employer were \$84,869.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. Southern Sandoval County Arroyo Flood Control Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are

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

included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**Employer Pickup**, during March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS 68 for fiscal year ending June 30, 2016 amounts paid by the Authority to satisfy member contributions requirements in the previous year totaling \$81,585 have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA’s Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**Reallocation of Deferred Amounts Due to Changes in Proportion**, in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer’s change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$6,824 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA’s Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**For PERA Fund Municipal General Division**, at June 30, 2015, the Authority reported a liability of \$890,099 for its proportionate share of the net pension liability. At June 30, 2015, the Authority’s proportion was 0.0873 percent, which changed from its proportion measured as of June 30, 2014 of 0.0836 percent.

For the year ended June 30, 2015, the Authority recognized PERA Fund Municipal General Division pension expense of \$101,771. At June 30, 2015, the Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Changes in assumptions	\$ 95	\$ 442
Changes in proportion	22,040	-
Net difference between projected and actual earnings on pension plan investments	-	2,816
Differences between expected and actual experience	-	19,716
Authority's contributions subsequent to the measurement date	73,765	-
Total	\$ 95,900	\$ 22,974



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

\$73,765 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (16,751)
2018	(16,751)
2019	(16,751)
2020	49,414
2021	-
Thereafter	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumptions	RP-200 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study date	July 1, 2008 to June 30, 2013

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

The long term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	<u>100.00%</u>	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate.** The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority’s net pension liability in the PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	\$ 1,515,486	\$ 890,099	\$ 370,133

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at [http://osanm.org/media/audit/366 Public Employees Retirement Association FY 2015.pdf](http://osanm.org/media/audit/366%20Public%20Employees%20Retirement%20Association%20FY%202015.pdf).

**Payables to the pension plan.** At June 30, 2016 there were no contributions due and payable to PERA for the Authority. Contractually required contributions are remitted to PERA monthly.

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

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

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

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

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

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

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, 2016, 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, 2016, 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, 2016, 2015, and 2014 were \$15,448, \$14,477, and \$13,572, respectively, which equal the required contributions for each year.

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**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 because of more rapid changes to the historical data. As a result, the design standard used for a facility today may be significantly different in the future based on new data changing the historical statistical standard. 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 effect 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, such as targeting portions of the storm hydrograph rather than the entire hydrograph. By only targeting a portion of the flow, the corresponding change is likewise reduced.

**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, 2016.
- B. Excess of expenditures over appropriations. No fund's expenditures exceeded its budgeted authority for the year ended June 30, 2016.
- C. Designated cash appropriations in excess of available balance. No funds displayed designated cash balances in excess of available balances for the year ended June 30, 2016.

**NOTE 13. Commitments**

The Authority had multiple construction projects ongoing as of the year ended June 30, 2016 that are to continue into the following fiscal year. These projects are as follows:

<u>Contractor</u>	<u>Project</u>	<u>Commitment</u>
Occam	Acapulco Road Design	\$ 21,500
Wilson	Lisbon Channel Trail Design	25,000
		<u>\$ 46,500</u>

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**NOTE 13. Commitments (continued)**

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

<u>Contractor</u>	<u>Project</u>	<u>Commitment</u>
CWA	Arroyo Safety Project	\$ 155,000
Bristol Steel	Black Arroyo Shade Structure	41,700
Unknown	Black Arroyo Phase II Design/Construction	460,000
BHI	Guadalajara Phase II Design	316,000
Unknown	Saratoga Dam ROW Acquisition	3,700
Unknown	Calabacillas - Cactus Ponds ROW	90,000
		<u>\$ 1,066,400</u>

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

<u>Contractor</u>	<u>Project</u>	<u>Commitment</u>
Smith Engineering	Lomas Negras Phase II Design	\$ 400,000
BHI	Alberta Road Phase II Construction OS	120,000
Franklin's Earthmoving	Alberta Road Phase II Construction	1,520,000
Unknown	Acapulco Road Improvements	100,000
Unknown	Calle Baack Drainage Imp. Construction	303,000
Unknown	Corrales Heights Dam Access Road	65,000
Unknown	Bosque de Bernalillo Construction	750,000
Unknown	Trib A ROW Acquisition	20,000
Occam	Cactus Ponds Design	180,000
Unknown	Fox-Stomp Overlook Construction	80,000
Unknown	Unser Dam ROW Acquisition	160,000
Unknown	Rainbow Pond Construction	1,300,000
Unknown	Calabacillas Playa ROW	700,000
N/A	ROW purchases throughout watersheds	85,000
		<u>\$ 5,783,000</u>

**NOTE 14. Restricted Net Position**

The government-wide statement of net position reports \$3,443,342 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for debt service, see page 34.

**NOTE 15. 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.

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**NOTE 16. 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

**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, 2018, 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

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**NOTE 16. Joint Powers Agreements (continued)**

**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

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

Audit Responsibility

Above agencies, to the extent of their contributions

Government Agency where Revenues and Expenditures are Reported

Above agencies, to the extent of their contributions.

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**NOTE 16. Joint Powers Agreements (continued)**

**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.

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.



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**NOTE 16. Joint Powers Agreements (continued)**

**Joint Powers Agreement with the Town of Bernalillo for Street Improvements in the Town of Bernalillo (Calle Baack Road Improvements)**

Participants

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

Responsible Party for Operations  
SSCAFCA

Description

To assist the Town of Bernalillo in designing and constructing Calle Baack Road Improvements.

Effective Dates

June 8, 2015 through December 31, 2017 (as amended)

Project Costs

Total estimated amount of project: \$353,000  
Total estimated amount to be contributed by SSCAFCA: \$353,000

Amount Contributed in Current Fiscal Year (SSCAFCA): \$31,979.12

Audit Responsibility  
SSCAFCA

Government Agency where Revenues and Expenditures are Reported  
SSCAFCA

**Intergovernmental Agreement –City of Albuquerque**

Participants

City of Albuquerque (City)  
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations  
City of Albuquerque

Description

To participate in group benefits program for eligible employees and their dependents, including medical, dental, vision, life, short-term and long-term disability insurance.

Effective Dates

July 1, 2015 to June 30, 2016.

Project Costs

Annual Cost: \$800

Amount Contributed in Current Fiscal Year (SSCAFCA): \$800.00

Audit Responsibility  
SSCAFCA

Government Agency where Revenues and Expenditures are Reported  
SSCAFCA

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**NOTE 16. Joint Powers Agreements (continued)**

**Intergovernmental Agreement Creating the Middle Rio Grande MS4 Compliance Monitoring Cooperative, In Support of Compliance Efforts for A Stormwater Discharge Permitting System for the Middle Rio Grande Valley in Accordance with the Federal Clean Water Act**

Participants

Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA)  
University of New Mexico  
New Mexico Department of Transportation District 3  
Bernalillo County  
Sandoval County  
Village of Corrales  
City of Rio Rancho  
Village of Los Ranchos de Albuquerque  
Kirtland Air Force Base  
Town of Bernalillo  
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)  
Eastern Sandoval County Arroyo Flood Control Authority  
Isleta  
Pueblo of Santa Ana

Responsible Party for Operations  
SSCAFCA

Description

To participate in group benefits program for eligible employees and their dependents, including medical, dental, vision, life, short-term and long-term disability insurance.

Effective Dates

This Agreement shall run from the date the NS4 Permit is issued by the EPA until the date the MS4 Permit is terminated or expires, whichever comes first.

Project Costs

Annual Contribution: \$2,900

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

Audit Responsibility

Above agencies, to the extent of their contributions

Government Agency where Revenues and Expenditures are Reported  
SSCAFCA

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

**NOTE 16. Joint Powers Agreements (continued)**

**MOU Ciudad Soil and Water Conservation District**

Participants

Ciudad Soil and Water Conservation District

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

SSCAFCA

Description

Provide comprehensive water resources education services.

Effective Dates

From May 16, 2016 to June 30, 2017. Either party may terminate the MOU upon 30 day written notice.

Project Costs

RiverXchange Budget: \$24,000

Arroyo Classroom Program Budget: \$14,240

Amount Contributed in Current Fiscal Year (SSCAFCA): \$29,779.12

Audit Responsibility

SSCAFCA

Government Agency where Revenues and Expenditures are Reported

SSCAFCA

**MOA Mid-Region Council of Governments**

Participants

Mid-Region Council of Governments (MRCOG)

Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations

MRCOG

Description

Cooperative effort with local governments and other entities to contract for professional services for the acquisition and production of high-resolution digital orthophotography.

Effective Dates

April 12, 2016 and shall expire after receipt of the amount invoiced and following the transfer of Project deliverables from MRCOG. 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: \$7,500

Amount Contributed in Current Fiscal Year (SSCAFCA): \$7,500

Audit Responsibility

MRCOG

Government Agency where Revenues and Expenditures are Reported

MRCOG

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

**NOTE 16. Joint Powers Agreements (continued)**

**MOA Mid-Region Metropolitan Planning Organization**

Participants

Mid-Region Metropolitan Planning Organization (MRMPO)  
Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA)

Responsible Party for Operations  
MRMPO

Description

Cooperative effort with local governments and other entities for the purpose of overseeing, directing, and establishing comprehensive transportation planning and policies.

Effective Dates

January 1, 2016. Agreement shall remain in effect until superseded by a subsequent agreement or terminated by the same process as its approval.

Project Costs

No financial obligation is created by this agreement.

Audit Responsibility  
MRMPO

Government Agency where Revenues and Expenditures are Reported  
MRMPO

**NOTE 17. Federal and State Grants**

The Authority participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Authority.

**NOTE 18. Subsequent Events**

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 21, 2016, which is the date on which the financial statements were issued.

**NOTE 19. Subsequent Pronouncements**

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: A portion of this provision of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Financial Statements  
June 30, 2016

**NOTE 19. Subsequent Pronouncements (continued)**

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Authority's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Authority expects this pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Authority will implement this standard during the fiscal year ended June 30, 2017. The Authority is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**

Schedule I

Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of the Proportionate Share of the Net Pension Liability  
 of PERA Fund Municipal General Division  
 Public Employees Retirement Association (PERA) Plan  
 Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>
Southern Sandoval County Arroyo Flood Control Authority's proportion of the net pension liability	0.0873%	0.0836%
Southern Sandoval County Arroyo Flood Control Authority's proportionate share of the net pension liability	\$ 890,099	\$ 652,170
Southern Sandoval County Arroyo Flood Control Authority's covered-employee payroll	\$ 723,826	\$ 678,617
Southern Sandoval County Arroyo Flood Control Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.97%	96.10%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Southern Sandoval County Arroyo Flood Control Authority will present information for those years for which information is available.

See independent auditors' report.  
 See notes to required supplementary information.



**STATE OF NEW MEXICO**

Schedule II

Southern Sandoval County Arroyo Flood Control Authority  
Schedule of Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal General Division  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 73,765	\$ 69,125
Contributions in relation to the contractually required contribution	<u>(73,765)</u>	<u>(69,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Southern Sandoval County Arroyo Flood Control Authority's covered-employee payroll	\$ 772,413	\$ 723,826
Contributions as a percentage of covered-employee payroll	10%	10%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Southern Sandoval County Arroyo Flood Control Authority will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at [http://osanm.org/media/audits/366-B PERA Schedule of Employer Allocations FY2015.pdf](http://osanm.org/media/audits/366-B%20PERA%20Schedule%20of%20Employer%20Allocations%20FY2015.pdf)

See independent auditors' report.  
See notes to required supplementary information.

## **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, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Ad valorem assessments	\$ 3,079,420	\$ 3,079,420	\$ 3,159,944	\$ 80,524
Interest income	1,000	1,000	3,581	2,581
<i>Total revenues</i>	<u>3,080,420</u>	<u>3,080,420</u>	<u>3,163,525</u>	<u>83,105</u>
<i>Expenditures</i>				
Debt service:				
Principal	2,325,000	2,325,000	2,325,000	-
Interest	707,495	707,495	707,494	1
<i>Total expenditures</i>	<u>3,032,495</u>	<u>3,032,495</u>	<u>3,032,494</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>47,925</u>	<u>47,925</u>	<u>131,031</u>	<u>83,106</u>
<i>Other financing sources (uses)</i>				
Budgeted increase in cash	(47,925)	(47,925)	-	47,925
<i>Total other financing sources (uses)</i>	<u>(47,925)</u>	<u>(47,925)</u>	<u>-</u>	<u>47,925</u>
<i>Net change in fund balances</i>	-	-	131,031	131,031
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,175,589</u>	<u>3,175,589</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,306,620</u>	<u>\$ 3,306,620</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			\$ 131,031	
Adjustments to revenues for property tax and interest accruals			(64)	
No adjustments to expenditures			-	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ 130,967</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, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<i>Revenues</i>				
State grants	\$ 1,500,000	\$ 1,500,000	\$ 712,970	\$ (787,030)
Federal grants	4,211,222	4,211,222	1,428,955	(2,782,267)
Miscellaneous revenue	-	-	-	-
Interest income	2,000	2,000	6,796	4,796
<i>Total revenues</i>	<u>5,713,222</u>	<u>5,713,222</u>	<u>2,148,721</u>	<u>(3,564,501)</u>
<i>Expenditures</i>				
Operations and maintenance	55,000	55,000	42,222	12,778
Capital outlay	9,031,536	9,031,536	4,387,572	4,643,964
<i>Total expenditures</i>	<u>9,086,536</u>	<u>9,086,536</u>	<u>4,429,794</u>	<u>4,656,742</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,373,314)</u>	<u>(3,373,314)</u>	<u>(2,281,073)</u>	<u>1,092,241</u>
<i>Other financing sources (uses)</i>				
Designated cash	3,373,314	3,373,314	-	(3,373,314)
Bond proceeds	-	-	696,789	696,789
<i>Total other financing sources (uses)</i>	<u>3,373,314</u>	<u>3,373,314</u>	<u>696,789</u>	<u>(2,676,525)</u>
<i>Net change in fund balances</i>	-	-	(1,584,284)	(1,584,284)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,294,247</u>	<u>3,294,247</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,709,963</u>	<u>\$ 1,709,963</u>
<i>Net change in fund balances (non-GAAP Basis)</i>			\$ (1,584,284)	
Adjustments to revenues for grant and interest income accruals			308,100	
Adjustments to expenditures for accounts payable accruals			<u>(410,569)</u>	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ (1,686,753)</u>	

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

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**

Schedule III

Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Collateral Pledged By Depository for Public Funds  
 June 30, 2016

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2016</u>	<u>Location of Safekeeper</u>
<b>Wells Fargo Bank, N.A.</b>					
	FMAC FGPC 3.000%	9/1/2029	3128MMSN4	\$ 111,506	BNY Mellon, One Wall Street, NY NY
	FNMA FNMS 3.50%	4/1/2042	3138EBJN6	<u>77,625</u>	BNY Mellon, One Wall Street, NY NY
	Total Wells Fargo Bank, N.A.			<u>189,131</u>	
	<i>Total Pledged Collateral</i>			<u><u>\$ 189,131</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, 2016

Schedule IV

<u>Bank Account Type/Name</u>	<u>Wells Fargo Bank</u>	<u>State Treasurer's Office</u>	<u>Total</u>
Checking - Operational	\$ 538,004	\$ -	\$ 538,004
Investments - LGIP	-	7,506,157	7,506,157
Total on deposit	538,004	7,506,157	8,044,161
Reconciling items	(374,588)	-	(374,588)
<i>Reconciled balance</i>	<u>\$ 163,416</u>	<u>\$ 7,506,157</u>	7,669,573
Plus: Petty cash			<u>200</u>
<i>Total deposits and investments</i>			<u>\$ 7,669,773</u>
Cash and cash equivalents and investments per financial statements:			
Governmental Activities Cash and cash equivalents - Exhibit A-1			\$ 163,616
Governmental Activities Unrestricted Investments - Exhibit A-1			4,278,605
Governmental Activities Restricted Investments - Exhibit A-1			<u>3,227,552</u>
<i>Total</i>			<u>\$ 7,669,773</u>

See accompanying independent auditors' report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

Prepared by: Southern Sandoval County Title: Fiscal Services Director  
 Arroyo Flood Control Authority

Date: 10/01/16

<b>RFB/ RFP #</b>	<b>Type of Procurement</b>	<b>Vendor Name</b>	<b>Did Vendor Win Contract?</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>
RFP 2015-02	RFP	Cooney, Watson & Assoc. Inc.	Yes	\$166,751	No change in contract amount
RFP 2015-02	RFP	ESM PR	No	N/A	N/A
RFP 2015-03	RFP	RBC Capitol Markets	Yes	On-call	N/A
RFP 2015-04	RFP	Hughes Law, LLC	Yes	On-call	N/A
RFP 2015-04	RFP	Butler Snow, LLP	No	N/A	N/A
IFB 2015-03	Sealed Bid	Salls Brothers Construction	Yes	\$149,987	No amendments
IFB 2015-03	Sealed Bid	Carreon Construction, LLC	No	N/A	N/A
IFB 2015-03	Sealed Bid	TLC Plumbing	No	N/A	N/A
IFB 2015-03	Sealed Bid	Universal Constructors, Inc.	No	N/A	N/A
IFB 2015-03	Sealed Bid	Franklin's Earthmoving	No	N/A	N/A
IFB 2015-03	Sealed Bid	Vital Consulting	No	N/A	N/A
IFB 2015-03	Sealed Bid	CBKN Dirtworks	No	N/A	N/A
IFB 2015-03	Sealed Bid	Max Tek	No	N/A	N/A
IFB 2015-03	Sealed Bid	Randy Sena	No	N/A	N/A
IFB 2015-03	Sealed Bid	Sparling Construction Company	No	N/A	N/A
IFB 2015-03	Sealed Bid	Sierra Velly Contractors	No	N/A	N/A
RFP 2015-05	RFP	Select Properties	Yes	On-Call	N/A
RFP 2015-05	RFP	Cobb Fendley	Yes	On-call	N/A
RFP 2015-05	RFP	Tierra Right of Way	Yes	On-call	NA

See independent auditors' report.

<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
Cooney Watson & Associates, Inc. 2201 San Pedro Dr. NE, Albuquerque, NM	Y	N	Marketing and Public Outreach
ESM PR 23 East Fine Avenue, Flagstaff, AZ	N	N	Marketing and Public Outreach
RBC Capital Markets 630 Uptown Blvd NE, Ste 100, Albuquerque, NM	Y	N	Financial Advisor Professional Services
Hughes Law, LLC P.O. Box 1610, Albuquerque, NM	Y	Y	Bond Counsel Services
Butler Snow 1801 California St. Suite 1500, Denver, CO	N	N	Bond Counsel Services
Salls Brothers Construction, Inc. P.O. Box 66239, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Carreon Construction, LLC 1009 17th St. NW, Rio Rancho, NM	Y	N	Patchogue Road Culvert Crossing
TLC Plumbing 5000 Edith Blvd. NE, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Universal Constructors, Inc. P.O. Box 6008, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Franklin's Earthmoving, Inc. 2425 Jefferson St. NE, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Vital Consulting Group, LLC P.O. Box 20817, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
CBKN Dirtworks, Inc. 45 Yerba Manza, Bernalillo, NM	Y	N	Patchogue Road Culvert Crossing
Maxtek Contractors, Inc. 2201 Phoenix Ave NE, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Randy Sena Construction 6811 Huseman Place SW, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Sparling Construction P.O. Box 90548, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Sierra Valley Contractors, LLC P.O. Box 3831, Albuquerque, NM	Y	N	Patchogue Road Culvert Crossing
Select Properties 3900 Eubank Blvd, Ne, Ste. 3C Albuquerque, NM	Y	N	Right-of-Way Acquisition Support Services
Cobb Fendley 3820 Academy Parkway North NE Albuquerque, NM	Y	N	Right-of-Way Acquisition Support Services
Tierra Right of Way 4107 Montgomery Blvd. NE Albuquerque, NM	Y	N	Right-of-Way Acquisition Support Services

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

<b>RFB/ RFP #</b>	<b>Type of Procurement</b>	<b>Vendor Name</b>	<b>Did Vendor Win Contract?</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>
RFP 2015-06	RFP	CDM Smith	Yes	On-call	N/A
RFP 2015-06	RFP	Daniel B. Stephens	Yes	On-call	N/A
RFP 2015-06	RFP	Wilson & Company	Yes	On-call	N/A
RFP 2015-06	RFP	Bohannon Huston Inc.	Yes	On-call	N/A
RFP 2015-06	RFP	JE Fuller	Yes	On-call	N/A
RFP 2015-06	RFP	OCCAMEC	Yes	On-call	N/A
RFP 2015-06	RFP	Smith Engineering	Yes	On-call	N/A
RFP 2015-06	RFP	CH2M	Yes	On-call	N/A
RFP 2015-06	RFP	HDR	Yes	On-call	N/A
RFP 2015-06	RFP	Huitt Zollars	No	N/A	N/A
RFP 2015-06	RFP	NCS Engineers	No	N/A	N/A
RFP 2015-06	RFP	Weston Solutions	No	N/A	N/A
RFP 2015-06	RFP	WHPacific	No	N/A	N/A

See independent auditors' report.

<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
CDM Smith 6000 Uptown Blvd. Ne, Suite 200 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Daniel B. Stephens 6020 Academy NE, Suite 100 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Wilson & Company 4900 Lang Ave. NE, Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Bohannon Huston Inc. Courtyard 1 7500 Jefferson St. NE Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
JE Fuller 8400 S. Kyrene Rd, Suite 201, Tempe, AZ	Y	N/A	Professional On-Call Engineering Projects - Federal
OCCAMEC 6100 Seagull St. NE, Suite B203 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Smith Engineering 2201 San Pedro Dr. NE Bldg 4, Suite 200 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
CH2M 3271 Rutledge Rd. Suite B-1 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
HDR 2155 Louisiana Blvd. NE Suite 9500 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Huitt Zollars 333 Rio Rancho Dr. Suite 101 Rio Rancho NM	Y	N/A	Professional On-Call Engineering Projects - Federal
NCS Engineers 3188 Southern Blvd. Suite A Rio Rancho, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
Weston Solutions 3840 Commons Ave. NE Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal
WHPacific 6501 Americas Parkway NE, Ste 400 Albuquerque, NM	Y	N/A	Professional On-Call Engineering Projects - Federal

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

<b>RFB/ RFP #</b>	<b>Type of Procurement</b>	<b>Vendor Name</b>	<b>Did Vendor Win Contract?</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>
RFP 2015-07	RFP	CDM Smith	Yes	On-call	N/A
RFP 2015-07	RFP	Daniel B. Stephens	Yes	On-call	N/A
RFP 2015-07	RFP	Wilson & Company	Yes	On-call	N/A
RFP 2015-07	RFP	Bohannon Huston Inc.	Yes	On-call	N/A
RFP 2015-07	RFP	JE Fuller	Yes	On-call	N/A
RFP 2015-07	RFP	OCCAMEC	Yes	On-call	N/A
RFP 2015-07	RFP	Smith Engineering	Yes	On-call	N/A
RFP 2015-07	RFP	CH2M	Yes	On-call	N/A
RFP 2015-07	RFP	HDR	Yes	On-call	N/A
RFP 2015-07	RFP	Huitt Zollars	No	N/A	N/A
RFP 2015-07	RFP	NCS Engineers	No	N/A	N/A
RFP 2015-07	RFP	Weston Solutions	No	N/A	N/A
RFP 2015-07	RFP	WHPacific	No	N/A	N/A
RFP 2015-08	RFP	Modrall, Sperling, Roehl, Harris & Sisk, P.A.	Yes	On-Call	N/A

See independent auditors' report.

<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
CDM Smith 6000 Uptown Blvd. Ne, Suite 200 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Daniel B. Stephens 6020 Academy NE, Suite 100 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Wilson & Company 4900 Lang Ave. NE, Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Bohannon Huston Inc. Courtyard 1 7500 Jefferson St. NE Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
JE Fuller 8400 S. Kyrene Rd, Suite 201, Tempe, AZ	Y	N	Professional On-Call Engineering Projects - State
OCCAMEC 6100 Seagull St. NE, Suite B203 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Smith Engineering 2201 San Pedro Dr. NE Bldg 4, Suite 200 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
CH2M 3271 Rutledge Rd. Suite B-1 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
HDR 2155 Louisiana Blvd. NE Suite 9500 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Huitt Zollars 333 Rio Rancho Dr. Suite 101 Rio Rancho NM	Y	N	Professional On-Call Engineering Projects - State
NCS Engineers 3188 Southern Blvd. Suite A Rio Rancho, NM	Y	N	Professional On-Call Engineering Projects - State
Weston Solutions 3840 Commons Ave. NE Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
WHPacific 6501 Americas Parkway NE, Ste 400 Albuquerque, NM	Y	N	Professional On-Call Engineering Projects - State
Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 4th St. NW #1000 Albuquerque, NM	Y	N	Bond Attorney Professional Services

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

<b>RFB/ RFP #</b>	<b>Type of Procurement</b>	<b>Vendor Name</b>	<b>Did Vendor Win Contract?</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>
IFB 2015-04	Sealed Bid	RMCI	Yes	\$1,678,075	\$1,747,368.15
IFB 2015-04	Sealed Bid	Mountain States Constructors, Inc.	No	N/A	N/A
IFB 2015-04	Sealed Bid	Star Paving Company	No	N/A	N/A
IFB 2015-04	Sealed Bid	4X Construction Group, LLC	No	N/A	N/A
IFB 2015-04	Sealed Bid	Franklin's Earthmoving	No	N/A	N/A
IFB 2016-01	Sealed Bid	Salls Brothers Construction, Inc.	Yes	\$285,259	\$280,995.55
IFB 2016-01	Sealed Bid	Meridian Contracting	No	N/A	N/A
IFB 2016-01	Sealed Bid	Vital Consulting	No	N/A	N/A
IFB 2016-01	Sealed Bid	Star Paving Company	No	N/A	N/A
IFB 2016-01	Sealed Bid	Kimo Construction Inc.	No	N/A	N/A
RFP 2016-01	RFP	Cooney, Watson & Assoc., Inc.	Yes	\$60,000	No change in contract amount
RFP 2016-02	RFP	Crowley & Gribble	Yes	On-call	N/A
RFP 2016-02	RFP	Steven L. Hernandez, PC	No	N/A	N/A
RFP 2016-02	RFP	Sheehan & Sheehan, PA	No	N/A	N/A
RFP 2016-02	RFP	Cuddy & McCarthy, LLP	Yes	On-Call	N/A

See independent auditors' report.



<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
RMCI Inc. P.O. Box 91447, Albuquerque, NM	Y	N	Upper SLO Construction Services
Mountain States Constructors, Inc. 3601 Pan American Freeway NE, Ste #111 Albuquerque, NM	Y	N	Upper SLO Construction Services
Star Paving 3109 Love R. SW, Albuquerque, NM	Y	N	Upper SLO Construction Services
4X Construction Group, LLC 99 Regency Pkwy #303, Mansfield, TX	N	N	Upper SLO Construction Services
Franklin's Earthmoving, Inc. 2425 Jefferson St. NE, Albuquerque, NM	Y	N	Upper SLO Construction Services
Salls Brothers Construction, Inc. P.O. Box 66239, Albuquerque, NM	Y	N/A	Montoyas Arroyo Bank Stabilization
Meridian Contractors 3223 Los Arboles NE, Albuquerque, NM	Y	N/A	Montoyas Arroyo Bank Stabilization
Vital Consulting Group, LLC P.O. Box 20817, Albuquerque, NM	Y	N/A	Montoyas Arroyo Bank Stabilization
Star Paving 3109 Love R. SW, Albuquerque, NM	Y	N/A	Montoyas Arroyo Bank Stabilization
Kimo Construction 3681 NM-47, Bosque Farms, NM	Y	N/A	Montoyas Arroyo Bank Stabilization
Cooney Watson & Associates, Inc. 2201 San Pedro Dr. NE, Albuquerque, NM	Y	N	Bond Election Consulting Services
Crowley & Gribble 4811 Hardware Dr. NE Bldg. D, Ste. 5 Albuquerque, NM	Y	N	General Counsel/Legal Services
Steven L. Hernandez, PA PO Box 13108, Las Cruces, NM	Y	N	General Counsel/Legal Services
Sheehan & Sheehan, PA 6001 Indian School Road NE Ste. 400 Albuquerque, NM	Y	N	General Counsel/Legal Services
Cuddy & McCarthy, LLP 7770 Jefferson Street NE #102 Albuquerque, NM	Y	N	General Counsel/Legal Services

See independent auditors' report.

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## **COMPLIANCE SECTION**

**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**

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Board of Directors of  
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, 2016, 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 supplementary information, and have issued our report thereon dated November 21, 2016.

**Internal Control Over Financial Reporting**

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

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

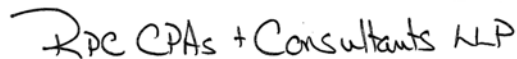
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
November 21, 2016

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**FEDERAL FINANCIAL ASSISTANCE**

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Board of Directors of  
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 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the 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, 2016.

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RPC CPAs + Consultants LLP*

RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
November 21, 2016

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2016

<u>Federal Grantor/Passthrough Grantor/Program Title</u>	<u>Grant or State Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds provided to Subrecipients</u>	<u>Noncash Assistance</u>
<u>U.S. Department of Transportation</u>					
Passed through the New Mexico Department of Transportation Highway Planning and Construction Cluster	A301530	20.205	\$ 620,480	\$ -	\$ -
<i>Total U.S. Department of Transportation</i>			<u>620,480</u>	<u>-</u>	<u>-</u>
<u>Environmental Protection Agency</u>					
Passed through the New Mexico Environment Department Clean Water State Revolving Fund Cluster *	CWSRF 018	66.458	944,142	-	-
<i>Total Environmental Protection Agency</i>			<u>944,142</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Passed through the New Mexico Department of Homeland Security and Emergency Management					
Hazard Mitigation Grant Program - Montoyas Arroyo Stabilization	FEMA-4079-DR-NM-SSCAFCA-Montoyas Arroyo	97.039	193,207	-	-
Hazard Mitigation Grant Program - Arroyo Safety	FEMA-4079-DR-NM-SSCAFCA-Arroyo Safety	97.039	5,878	-	-
Total Hazard Mitigation Grant Program			<u>199,085</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Homeland Security</i>			<u>199,085</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,763,707</u>	<u>\$ -</u>	<u>\$ -</u>

\* Major Program

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

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of 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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Loans**

At June 30, 2016, the Authority had borrowed \$1,250,000 under the Clean Water State Revolving Fund Cluster.

**10% de minimis Indirect Cost Rate**

The Authority did not elect to use the allowed 10% indirect cost rate.

**Federally Funded Insurance**

The Authority has no federally funded insurance.

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

Total federal awards expended per the Schedule of Expenditures of Federal Awards	\$ 1,763,707
Total expenditures funded by other sources	<u>8,175,285</u>
<i>Total expenditures per the statement of revenues, expenditures, and changes in fund balance</i>	<u><u>\$ 9,938,992</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
 Southern Sandoval County Arroyo Flood Control Authority  
 Schedule of Findings and Questioned Costs  
 June 30, 2016

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

- |   |  |  |  |
|---|--|--|--|
| 1. Type of auditors' report issued  | Unmodified   |  |  |
| 2. Internal control over financial reporting:   |  |  |  |
| a. Material weakness identified?  | None noted   |  |  |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None noted   |  |  |
| c. Noncompliance material to the financial statements noted?  | None noted   |  |  |
| 1. Internal control over major programs:  |  |  |  |
| a. Material weaknesses identified?  | None noted   |  |  |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None noted   |  |  |
| 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 2 CFR section 200.516(a)?   | None noted   |  |  |
| 4. Identification of major programs:  |  |  |  |
| <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="text-align: center; padding-right: 20px;"> <u>CFDA</u><br/> <u>Number</u><br/>                     66.458                 </td> <td style="text-align: center;"> <u>Federal Program</u><br/>                     Clean Water State Revolving Fund Cluster                 </td> </tr> </table> | <u>CFDA</u><br><u>Number</u><br>66.458                             | <u>Federal Program</u><br>Clean Water State Revolving Fund Cluster |  |
| <u>CFDA</u><br><u>Number</u><br>66.458  | <u>Federal Program</u><br>Clean Water State Revolving Fund Cluster |  |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:   | \$750,000  |  |  |
| 6. Auditee qualified as low-risk auditee?   | Yes  |  |  |

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Schedule of Findings and Questioned Costs  
June 30, 2016

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

None noted.

**C. FINDINGS-FEDERAL AWARDS**

None noted.

**D. PRIOR YEAR AUDIT FINDINGS**

None noted.

**STATE OF NEW MEXICO**  
Southern Sandoval County Arroyo Flood Control Authority  
Other Disclosures  
June 30, 2016

**Exit Conference**

An exit conference was held on November 21, 2016. In attendance were the following:

**Southern Sandoval County Arroyo Flood Control Authority**

Michael Obrey, Board Treasurer  
Charles Thomas, P.E., Executive Engineer  
Deborah Casaus, CPA, Fiscal Services Director  
Erica Baca, Business Operations Specialist

**RPC CPAs + Consultants, LLP**

Robert Cordova, CPA  
Gwen Mansfield-Vogt, CPA

**Auditor Prepared Financial Statements**

RPC CPAs + Consultants, 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.