



State of
New Mexico
Southern Sandoval
County Arroyo
Flood Control
Authority

Financial Statements
with Accompanying Auditors' Reports
For the Year Ended June 30, 2017



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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, 2017

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STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Official Roster
June 30, 2017

<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

Wayne A. Johnson
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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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.

Opinion

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, 2017, 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.

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 62 through 64 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 comparison. 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 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

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
December 6, 2017

Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis For the Fiscal Year Ending June 30, 2017 Unaudited

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, 2017. 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, 2017. 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 the 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

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017
Unaudited

SSCAFCA Goals and Commitments (continued):

In the upcoming fiscal year, SSCAFCA will be focusing on several priorities. Internally, SSCAFCA will be taking a comprehensive look at our existing Personnel and Financial Policies to ensure they are in alignment with current laws and requirements, as well as providing a stable path forward through 2022. This will also include updating our Development Process Manual to adopt a more accurate hydrology and incorporated needs from the Environmental Protection Agency (EPA) Municipal Separate Storm Sewer (MS4) Permit. Regarding capital improvements, SSCAFCA will be focusing on completion of several construction projects that are fully funded, acquisition of needed ROW, and expanding the portfolio of projects with a completed conceptual design;

By aggressively seeking funding match opportunities and completing design of projects the construction pipeline is fully activated, with up to 7 construction projects partially funded with other State or Federal Funds, completed during the next two calendar years. 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. To date, we have successfully complete 3 projects and have not received any project audit exceptions from the funding agencies.

Previously, 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.

In order to support acceptance of SSCAFCA's research and evaluation of the impacts of climate change and the accuracy of various hydrologic methods for quantifying rainfall and associated runoff, SSCAFCA has completed research which has been independently peer reviewed and published in the ASCE Journal of Hydrologic Engineering. These studies will form the basis of determination for proposed changes to our Development Process Manual.

Significant Financial Highlights for the Year Ending June 30, 2017

The overall Net Position of the Authority increased from \$63,021,152 for the year ending June 30, 2016 to \$65,378,051 for the year ending June 30, 2017. This represents an increase in net position of \$2,356,899. Total cash and investments decreased by \$2,210,898 primarily resulting from cash outflows for the purchase and construction of capital assets and debt payments. Total liabilities and deferred inflows of resources decreased by \$2,122,781 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, 2017
Unaudited

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 \$65,378,051 at June 30, 2017. The Authority has \$5,458,875 in cash and investments on hand as of June 30, 2017 compared to \$3,108,893 in accounts payable and other current liabilities. Net Position totaling \$3,156,120 is "restricted" for debt service. Net Position totaling \$3,330,861 is "unrestricted". The Authority's overall financial position improved between 2016 and 2017. Capital assets increased by \$1,504,680, due to construction of and purchases for flood control facilities.

	June 30, 2016	June 30, 2017
Assets and Deferred Outflows of Resources		
Cash and Investments	\$ 7,669,773	\$ 5,458,875
Other Assets	2,157,978	2,650,595
Capital and Intangible Assets, net of depreciation and amortization	79,176,623	80,681,303
Deferred Outflows of Resources	95,900	543,619
Total Assets and Deferred Outflows of Resources	\$ 89,100,274	\$ 89,334,392
Liabilities and Deferred Inflows of Resources		
Current Liabilities	3,314,331	3,108,893
Long Term Liabilities	22,741,817	20,833,144
Deferred Inflows of Resources	22,974	14,304
Total Liabilities and Deferred Inflows of Resources	\$ 26,079,122	\$ 23,956,341
Net Position		
Net Investment in Capital Assets	55,013,438	58,891,070
Restricted	3,443,342	3,156,120
Unrestricted	4,564,372	3,330,861
Total Net Position	\$ 63,021,152	\$ 65,378,051

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 \$12,074,021, and accumulated amortization of \$743,490. 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, 2017
Unaudited

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, 2017. As of June 30, 2017, the Authority had net position of \$65,378,051. The beginning total net position for the 2017 fiscal year is \$63,021,152 reflecting an increase in total net position of \$2,356,899 for the year ending June 30, 2017. 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. Expenses increased year-over-year by \$216,583. Otherwise, operations of the Authority did not change significantly from the prior year.

	June 30, 2016	June 30, 2017
Expenses for Governmental Activities	\$ 3,581,660	\$ 3,798,243
Less Operational Grants	-	3,065
Less Capital Grants and Contributions	3,296,143	2,320,513
Net (Expenses) Revenues and Changes in Net Position	(285,517)	(1,474,665)
General Revenues		
Taxes - general and debt service	5,265,734	5,398,461
Interest and Earnings on Investments	16,458	24,657
Miscellaneous	2,329	5,827
Transfer of asset to outside governmental entity	(226,239)	(1,597,381)
Subtotal, General Revenues	5,058,282	3,831,564
Changes in Net Position	4,772,765	2,356,899
Net Position - Beginning	58,248,387	63,021,152
Net Position - Ending	\$ 63,021,152	\$ 65,378,051

Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017
Unaudited

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 \$7,029,945. Total expenditures for the Authority were \$9,190,948. Total ending fund balance was \$5,623,958, for a decrease of \$2,161,003 from the prior year. The decrease is due to expenditures financed by grants that were not received within the period of availability, as well as debt payments and capital outlay expenditures.

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	218%	16,615,097	51%
2015-2016	8,428,977	13%	9,938,992	-7%
2016-2017	7,029,945	-17%	9,190,948	-8%

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

The Budget

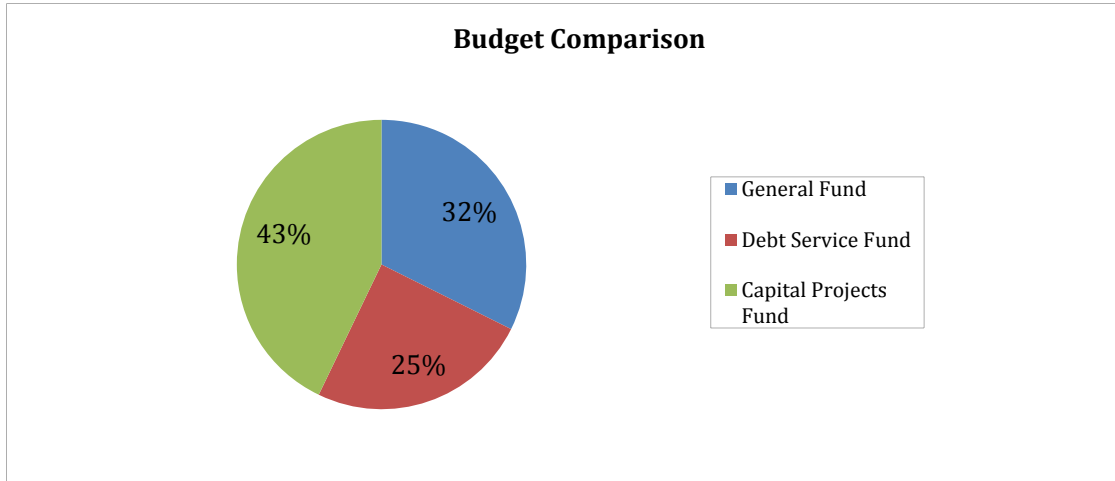
Authority budgets reflect the same growth as seen in the revenue and expenditures of the Authority. The State of New Mexico local government agency budget process is defined under state law and regulation. To enhance the process of developing a budget at the Authority level, the Authority utilizes goals 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 special revenue funds with legally adopted budgets are required to be reported as a separate statement.

The major funds in this presentation are the General Fund, the Debt Service Fund, and the Capital Projects Fund. Only the General Fund is presented with a budgetary comparison statement in accordance with GASB 34. The following chart shows the overall proportion of the Authority's budget in each fund.

Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017
Unaudited



The reader will note that the General Fund represents 32% 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](#).

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2017.

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

Fund Type	Final Budget	Actual	Variance
General	3,969,575	2,152,897	1,816,678
Debt Service	3,041,994	2,994,195	47,799
Capital Projects	5,257,519	4,256,407	1,001,112

The General Fund expenditures remained favorable to the final budget by \$1,816,678 or 46%. This difference was primarily in amounts budgeted for severe storm clean-up from general funds that was not needed during the 2016-17 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 \$2,174,317 of the total \$7,029,945 in overall Authority revenues.

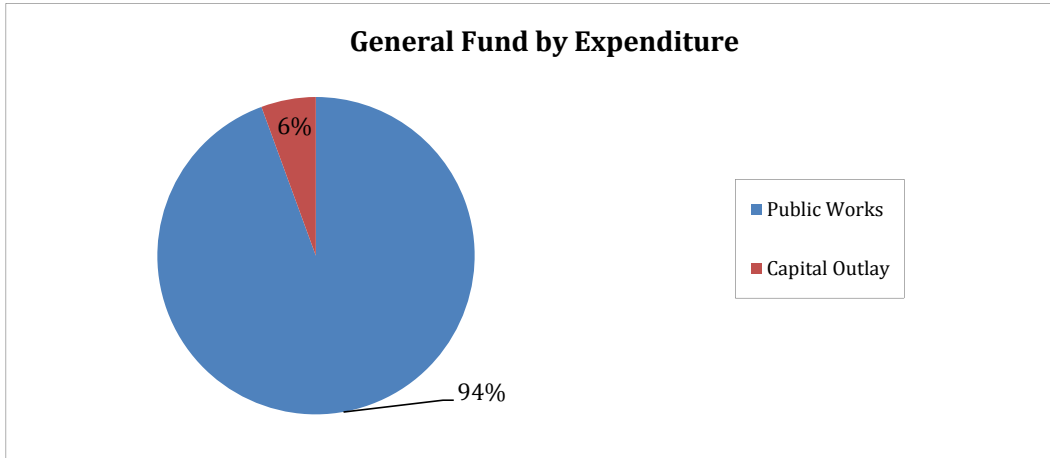
The following table displays historical revenues of the General Fund.

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%
2016-2017	2,174,317	3%

Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017
Unaudited

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



Public Works expenditures constitute 94% of the General Fund's expenditures for the 2017 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, 2015	Balance June 30, 2016	Balance June 30, 2017
Land and easements	\$ 33,092,195	\$ 33,487,899	\$ 33,836,058
Construction in progress	4,483,036	4,009,040	2,477,656
Building and improvements	3,296,510	3,296,510	3,320,714
Furniture, equipment and vehicles	421,441	421,441	421,441
Flood control system - dams, ponds and drainage channels	43,743,397	48,453,486	51,998,840
Less accumulated depreciation	(10,513,131)	(11,274,644)	(12,074,021)
Intangible assets	1,345,360	1,386,365	1,444,105
Less accumulated amortization	(467,779)	(603,476)	(743,490)
Capital assets, net	\$ 75,401,029	\$ 79,176,621	\$ 80,681,303

Major additions during the 2017 fiscal year include acquisition of approximately 25.3 acres of needed right of way as well as 19.7 acres of donated right of way for future flood control facilities for an approximate value of \$348,000. In addition to our semiannual routine maintenance of all our facilities, SSCAFCA completed several small improvements in its jurisdiction. SSCAFCA also completed construction on the several improvements that began in the 2016 fiscal year which include the Montoyas Arroyo Bank Stabilization, Campus Dam, Bosque de Bernalillo Water Quality Project and the Alberta Phase II Road Improvement. The constructed infrastructure added approximately \$3.5 million in infrastructure. As part of the SSCAFCA on-going cooperative effort with the other local governments in our jurisdiction, the Alberta PII project was donated to the City of Rio Rancho who will maintain the infrastructure. The Alberta PII project cost approximately \$1.6 Million of which \$1.5 Million was funded by federal and state grants. SSCAFCA also began planning and designing other improvement projects which are planned to be constructed in the 2018-19 fiscal years. These projects include the Lisbon Trail, Rainbow Pond, Corrales Heights Dam Access Improvements, Lomas Negras Phase II, Cactus Ponds, and Lisbon Dam.

Southern Sandoval County Arroyo Flood Control Authority

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017
Unaudited

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, 2017.

Year Ended June 30	Principal	Interest	Totals
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	2,977,977	504,716	3,482,693
2023-2027	7,522,252	397,695	7,919,947
2028-2032	563,578	39,765	603,343
2033-2037	81,572	22,093	103,665
Total	\$ 21,495,000	\$ 2,968,365	\$ 24,463,365

The Authority 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 SSCAFCA and flood control are obviously viewed favorably, the general public have only a very vague concept of what SSCAFCA is or does. Moving forward, SSCAFCA will be working on increasing public awareness of SSCAFCA goals, projects and our enabling legislative requirements.

SSCAFCA will also be working on increasing the peer recognition of SSCAFCA and SSCAFCA staff as experts in arid geography flood control. SSCAFCA 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, 2017

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 239,946
Unrestricted investments	2,062,809
Receivables:	
Ad valorem assessments	406,509
Intergovernmental	2,240,181
Interest	3,005
Prepaid assets	<u>900</u>
Total current assets	<u>4,953,350</u>
Noncurrent assets:	
Restricted investments	3,156,120
Capital assets	
Land and easements	33,836,058
Construction in progress	2,477,656
Depreciable buildings, furniture, equipment, and flood control system, net	43,666,974
Intangible assets, net	<u>700,615</u>
Total noncurrent assets	<u>83,837,423</u>
<i>Total assets</i>	<u>88,790,773</u>
Deferred outflows of resources	
Changes of assumptions	84,503
Changes in proportion	44,093
Differences between expected and actual experience	72,003
Net difference between projected and actual investment earnings	265,158
Employer contributions subsequent to the measurement date	<u>77,862</u>
<i>Total deferred outflows of resources</i>	<u>543,619</u>
<i>Total assets and deferred outflows of resources</i>	<u><u>\$ 89,334,392</u></u>

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

	Governmental Activities
Liabilities	
Current liabilities:	
Accounts payable	\$ 347,663
Accrued payroll	42,587
Accrued compensated absences	37,474
Accrued interest	274,649
Current portion of long-term debt	<u>2,406,520</u>
Total current liabilities	<u>3,108,893</u>
Noncurrent liabilities:	
Accrued compensated absences	8,338
Bond premiums, net of accumulated amortization of \$275,232	295,233
General obligation bonds payable	19,088,480
Net pension liability	<u>1,441,093</u>
Total noncurrent liabilities	<u>20,833,144</u>
<i>Total liabilities</i>	<u>23,942,037</u>
Deferred inflows of resources	
Changes of assumptions	240
Differences between expected and actual experience	<u>14,064</u>
<i>Total deferred inflows of resources</i>	<u>14,304</u>
Net position	
Net investment in capital assets	58,891,070
Restricted for:	
Debt service	3,156,120
Unrestricted	<u>3,330,861</u>
<i>Total net position</i>	<u>65,378,051</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 89,334,392</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, 2017

Exhibit A-2

	<u>Governmental Activities</u>
Program Expenses	
Public works:	
Personnel services	\$ 794,025
Employee benefits	459,618
General and administrative expenses	475,548
Contractual operating and maintenance services	521,739
Depreciation and amortization	970,870
Interest	<u>576,443</u>
<i>Total program expenses</i>	<u>3,798,243</u>
Program Revenues	
Capital contributions	<u>48,634</u>
<i>Total program revenues</i>	<u>48,634</u>
Operating Grants	
Public works operating grants	<u>3,065</u>
Total operating grants	<u>3,065</u>
Capital Grants	
Public works capital grants	<u>2,271,879</u>
<i>Total capital grants</i>	<u>2,271,879</u>
Net (expense) revenue - Public Works	<u>(1,474,665)</u>
General Revenues	
Ad valorem assessments	5,398,461
Investment income	24,657
Miscellaneous revenues	5,827
Transfer of asset to outside governmental entity	<u>(1,597,381)</u>
<i>Total general revenues</i>	<u>3,831,564</u>
Change in net position	2,356,899
<i>Total net position - beginning of year</i>	<u>63,021,152</u>
<i>Total net position - end of year</i>	<u><u>\$ 65,378,051</u></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
 Balance Sheet
 June 30, 2017

Exhibit B-1
 Page 1 of 2

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 239,946	\$ -	\$ -	\$ 239,946
Investments	2,048,102	3,156,120	14,707	5,218,929
Receivables:				
Ad valorem assessments	166,676	239,833	-	406,509
Intergovernmental	13,446	-	2,226,735	2,240,181
Interest	1,145	1,720	140	3,005
Prepaid assets	900	-	-	900
Due from other funds	906,944	407,271	112,710	1,426,925
<i>Total assets</i>	\$ 3,377,159	\$ 3,804,944	\$ 2,354,292	\$ 9,536,395
<i>Liabilities</i>				
Accounts payable	\$ 116,626	\$ -	\$ 231,037	\$ 347,663
Accrued payroll	42,587	-	-	42,587
Due to other funds	519,981	-	906,944	1,426,925
<i>Total liabilities</i>	679,194	-	1,137,981	1,817,175
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	144,917	206,514	-	351,431
Unavailable revenue - intergovernmental	13,446	-	1,730,385	1,743,831
<i>Total deferred inflows of resources</i>	158,363	206,514	1,730,385	2,095,262
<i>Fund balances</i>				
Nonspendable:				
Prepaid expenses	900	-	-	900
Spendable:				
Restricted for:				
Debt service	-	3,598,430	-	3,598,430
Committed for:				
Subsequent years' expenditures	336,848	-	-	336,848
Assigned	413,152	-	-	413,152
Unassigned	1,788,702	-	(514,074)	1,274,628
<i>Total fund balances</i>	2,539,602	3,598,430	(514,074)	5,623,958
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 3,377,159	\$ 3,804,944	\$ 2,354,292	\$ 9,536,395

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, 2017

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

Fund balances - total governmental funds	\$ 5,623,958
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	80,681,303
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	351,431
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.	1,743,831
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 changes in assumptions	84,503
Deferred outflows of resources related to changes in proportion	44,093
Deferred outflows of resources related to differences between expected and actual experience	72,003
Deferred outflows of resources related to the net difference between projected and actual investment earnings	265,158
Deferred outflows of resources related to employer contributions subsequent to the measurement date	77,862
Deferred inflows of resources related to differences between expected and actual experience	(14,064)
Deferred inflows of resources related to changes in assumptions	(240)
Accrued interest is not due and payable with current financial resources therefore are not reported in the funds	(274,649)
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	(21,495,000)
Bond premiums	(295,233)
Compensated absences	(45,812)
Net pension liability	(1,441,093)
	<u>(1,441,093)</u>
<i>Total net position</i>	<u><u>\$ 65,378,051</u></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
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2017

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	\$ 2,157,565	\$ 3,240,896	\$ -	\$ 5,398,461
Federal grants	-	-	272,094	272,094
State grants	-	-	1,328,906	1,328,906
Interest	10,925	8,628	5,104	24,657
Miscellaneous	5,827	-	-	5,827
<i>Total revenues</i>	<u>2,174,317</u>	<u>3,249,524</u>	<u>1,606,104</u>	<u>7,029,945</u>
<i>Expenditures</i>				
Current:				
Public works	2,137,772	-	11,513	2,149,285
Capital outlay	126,643	-	3,909,277	4,035,920
Debt service:				
Principal	-	2,325,000	-	2,325,000
Interest	-	669,195	-	669,195
<i>Total expenditures</i>	<u>2,264,415</u>	<u>2,994,195</u>	<u>3,932,338</u>	<u>9,190,948</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(90,098)</u>	<u>255,329</u>	<u>(2,326,234)</u>	<u>(2,161,003)</u>
<i>Net change in fund balances</i>	(90,098)	255,329	(2,326,234)	(2,161,003)
<i>Fund balances - beginning</i>	<u>2,629,700</u>	<u>3,343,101</u>	<u>1,812,160</u>	<u>7,784,961</u>
<i>Fund balances - ending</i>	<u>\$ 2,539,602</u>	<u>\$ 3,598,430</u>	<u>\$ (514,074)</u>	<u>\$ 5,623,958</u>

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

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ (2,161,003)
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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	4,035,920
Donated capital assets	48,634
Capital asset transferred to other governmental entity	(1,597,381)
Loss on disposal of asset	(11,621)
Depreciation of assets	(830,856)
Amortization of assets	(140,014)

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	(2,479)
Change in unavailable revenue related to grants receivable	676,423

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	77,862
Pension expense	(172,468)

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:

Recognition of full-accrual interest expense	44,799
Amortization of bond premiums	47,951
Decrease in the reserve for compensated absences	16,132
Principal payments on bonds	2,325,000

<i>Change in net position of governmental activities</i>	<u><u>\$ 2,356,899</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
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, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Ad valorem assessments	\$ 2,053,191	\$ 2,053,191	\$ 2,158,459	\$ 105,268
Interest income	3,500	3,500	10,432	6,932
Miscellaneous	-	-	5,827	5,827
<i>Total revenues</i>	<u>2,056,691</u>	<u>2,056,691</u>	<u>2,174,718</u>	<u>118,027</u>
<i>Expenditures</i>				
Salaries	849,865	849,865	821,468	28,397
Benefits and taxes	373,213	373,213	355,321	17,892
Administrative fees	60,000	60,000	53,428	6,572
Audit expense	25,000	25,000	13,065	11,935
Board meetings and elections	78,500	78,500	63,647	14,853
Contractual services	325,000	325,000	195,906	129,094
Education outreach	77,000	77,000	50,290	26,710
Environmental permitting	36,000	36,000	11,124	24,876
Insurance and bonds	31,000	31,000	25,524	5,476
Legal ads and notices	11,500	11,500	6,712	4,788
Maintenance and fuel	90,000	90,000	47,268	42,732
Membership fees	16,901	16,901	11,038	5,863
Miscellaneous	2,142	2,142	1,611	531
Occupancy expenses	27,000	27,000	27,700	(700)
Office supplies and printing	29,600	29,600	16,478	13,122
Paying agent expense	2,200	2,200	1,367	833
Planning, engineering and construction	77,500	77,500	57,495	20,005
ROW acquisition and costs	72,000	72,000	1,843	70,157
Property tax	10,000	10,000	1,495	8,505
Staff training and travel	56,500	56,500	19,796	36,704
Operations and maintenance	1,618,654	1,618,654	271,630	1,347,024
Furniture and equipment and rental	15,000	15,000	2,147	12,853
Computers, software and mapping	75,000	75,000	29,237	45,763
Capital furniture and equipment	10,000	10,000	67,307	(57,307)
<i>Total expenditures</i>	<u>3,969,575</u>	<u>3,969,575</u>	<u>2,152,897</u>	<u>1,816,678</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,912,884)</u>	<u>(1,912,884)</u>	<u>21,821</u>	<u>1,934,705</u>
<i>Other financing sources (uses)</i>				
Designated cash	<u>1,912,884</u>	<u>1,912,884</u>	-	<u>1,912,884</u>
<i>Total other financing sources (uses)</i>	<u>1,912,884</u>	<u>1,912,884</u>	-	<u>1,912,884</u>
<i>Net change in fund balances</i>	-	-	21,821	21,821
<i>Fund balances - beginning of year</i>	-	-	2,653,190	2,653,190
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,675,011</u>	<u>\$ 2,675,011</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			21,821	
Adjustments to revenues for property tax and interest accruals			(401)	
Adjustments to expenditures for accounts payable and payroll accruals			(111,518)	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ (90,098)</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, 2017

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, 2017, the Authority adopted GASB Statements 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* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* (partial). These six Statements are required to be implemented as of June 30, 2017, if applicable.

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 was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the Authority, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the Authority’s financial statements directly; however, the effects on the Authority’s OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development.

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The Authority's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

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, GASB Statement No. 61 and GASB Statement No. 80. 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*.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2017, the Authority maintained a balance of \$5,218,929 in the LGIP.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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

The Authority receives monthly income from a tax levy in Sandoval County. The funds are collected by the County Treasurer and are remitted to the Authority the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. 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.

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 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
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 five types of items that qualify for reporting in this category: changes of assumptions of \$84,503; changes in proportion of \$44,093; differences between expected and actual experience of \$72,003; the net difference between projected and actual investment earnings of \$265,158; and employer contributions subsequent to the measurement date in the amount of \$77,862. 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 \$351,431 related to property taxes considered “unavailable” and \$1,743,831 related to intergovernmental grants considered “unavailable”. In addition, the Authority has two types of items presented on the Statement of Net Position that qualify for reporting in this category: changes of assumptions of \$240 and differences between expected and actual experience of \$14,064. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Compensated Absences: Qualified employees are entitled to accumulate amounts of annual leave which is payable to the employee upon termination or retirement. Annual leave accrues at the rate of eighty hours per year for employees with five or fewer years of service. Employees with five to ten years of service accrue annual leave at the rate of one hundred and twenty hours per year. Employees with ten to fifteen years of service accrue annual leave at the rate of one hundred and sixty hours per year. Employees with over fifteen years of service accrue annual leave at the rate of two hundred hours per year. The maximum accrual of annual leave is 280 hours. At June 30, 2017, accrued vested annual leave totaled \$45,812.

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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Nonspendable Fund Balance: At June 30, 2017, the nonspendable fund balance in the governmental funds consists of amounts associated with prepaid expense contracts in the amount of \$900 that is not in spendable form.

Restricted, Committed and Assigned Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$3,598,430 for the payment of future debt service expenditures.

The Authority has presented committed fund balance in the general fund on the governmental funds balance sheet in the amount of \$336,848, 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 \$413,152. 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 \$5,398,461 in tax revenues in the governmental fund financial statements during the year ended June 30, 2017. 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, 2017 donated assets amounted to \$48,634 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.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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

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

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

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

The appropriated budget for the year ended June 30, 2017 was properly amended by the Authority’s Board of Directors throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (1,912,884)	\$ (1,912,884)
Debt Service Fund	\$ 54,671	\$ 54,671
Capital Projects Fund	\$ (1,779,135)	\$ (1,779,135)

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, 2017.

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.

STATE OF NEW MEXICO
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 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments

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.

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, 2017, \$231,200 of the Authority's bank balance of \$481,200 was subject to custodial credit risk, all of which was uninsured. \$133,712 was collateralized by securities held by the pledging bank's trust department, not in the Authority's name. \$97,488 was uninsured and uncollateralized at June 30, 2017.

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.

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 481,200
FDIC coverage	(250,000)
Total uninsured public funds	231,200
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	133,712
Uninsured and uncollateralized	\$ 97,488
Collateral requirement (50%)	\$ 115,600
Pledged securities	133,712
Over (under) collateralized	\$ 18,112

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	\$ 239,946
Add: outstanding checks and other reconciling items	241,454
Less: petty cash	(200)
Bank balance of deposits	\$ 481,200

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

Investments

Credit Risk

As of June 30, 2017, the Authority's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

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

As of June 30, 2017, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New MexicGROW LGIP	58 days (WAM(R)); 106 days (WAM(F))	<u>\$ 5,218,929</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.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

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 \$5,218,929 in the LGIP at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the Authority's assets at fair value as of June 30, 2017:

<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>\$ 5,218,929</u>	<u>\$ 5,218,929</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2017, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Property taxes	\$ 166,676	\$ 239,833	\$ -	\$ 406,509
Intergovernmental:				
Federal grants	13,446	-	1,067,997	1,081,443
State grants	-	-	1,158,738	1,158,738
Interest	1,145	1,720	140	3,005
Totals	<u>\$ 181,267</u>	<u>\$ 241,553</u>	<u>\$ 2,226,875</u>	<u>\$ 2,649,695</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$351,431 and grant revenues in the amount of \$1,743,831 that were not collected within the period of availability have been reported as deferred inflows of resources in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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, 2017 is as follows:

	Due from other funds	Due to other funds
Capital Projects Fund	\$ 112,710	\$ 906,944
Debt Service Fund	407,271	-
General Fund	906,944	519,981
Total	\$ 1,426,925	\$ 1,426,925

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

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2016</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land and easements:				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	33,259,399	348,159	-	33,607,558
Total land and easements	33,487,899	348,159	-	33,836,058
Construction in progress	4,009,040	950,921	2,482,305	2,477,656
Total capital assets not being depreciated	<u>37,496,939</u>	<u>1,299,080</u>	<u>2,482,305</u>	<u>36,313,714</u>
Capital assets being depreciated:				
Building and improvements	3,296,510	67,304	43,100	3,320,714
Furniture, equipment, and vehicles	421,441	-	-	421,441
Flood control system - dams, ponds, and drainage channels	48,453,486	5,142,735	1,597,381	51,998,840
Total capital assets being depreciated	<u>52,171,437</u>	<u>5,210,039</u>	<u>1,640,481</u>	<u>55,740,995</u>
Less accumulated depreciation:				
Building and improvements	736,404	77,620	31,479	782,545
Furniture, equipment and vehicles	295,685	23,737	-	319,422
Flood control system - dams, ponds and drainage channels	10,242,555	729,499	-	10,972,054
Total accumulated depreciation	<u>11,274,644</u>	<u>830,856</u>	<u>31,479</u>	<u>12,074,021</u>
Depreciable assets, net of depreciation	<u>40,896,793</u>	<u>4,379,183</u>	<u>1,609,002</u>	<u>43,666,974</u>
Intangible assets	1,386,365	57,740	-	1,444,105
Less accumulated amortization	<u>603,476</u>	<u>140,014</u>	<u>-</u>	<u>743,490</u>
Intangible assets, net of amortization	<u>782,889</u>	<u>(82,274)</u>	<u>-</u>	<u>700,615</u>
Total capital assets, net of depreciation, and amortization	<u>\$ 79,176,621</u>	<u>\$ 5,595,989</u>	<u>\$ 4,091,307</u>	<u>\$ 80,681,303</u>

The Authority received donated assets in the amount of \$48,634 during the year ended June 30, 2017. The Authority transferred a newly-constructed asset costing \$1,597,381 to another governmental entity during the year ended June 30, 2017.

For the year ended June 30, 2017, depreciation expense of \$830,856 and amortization expense of \$140,014 was charged to the Public Works function.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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, 2017, was \$25,145,000. 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, 2017 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, 2017, are comprised of the following:

Series 2009

\$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. \$ 3,400,000

Series 2010A

\$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. 4,150,000

Series 2011

\$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

Series 2012

\$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. 4,175,000

Series 2014

\$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. 6,020,000

NMED CWSRF GO Bond

\$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. 1,250,000

Total bonds payable

\$ 21,495,000

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 23,820,000	\$ -	\$ 2,325,000	\$ 21,495,000	\$ 2,406,520
Compensated absences	61,944	62,918	79,050	45,812	37,474
Total	<u>\$ 23,881,944</u>	<u>\$ 62,918</u>	<u>\$ 2,404,050</u>	<u>\$ 21,540,812</u>	<u>\$ 2,443,994</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, 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>
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	2,977,977	504,716	3,482,693
2023-2027	7,522,252	397,695	7,919,947
2028-2032	563,578	39,765	603,343
2033-2037	81,572	22,093	103,665
	<u>\$ 21,495,000</u>	<u>\$ 2,968,365</u>	<u>\$ 24,463,365</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, 2017, compensated absences decreased \$16,132 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, 2017, 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Public Employees Retirement Association

General Information about the Pension Plan

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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Contributions. The contribution requirements of defined benefit plan members and the 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf. The PERA coverage option that applies to the Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$77,862 and \$89,849 in employer paid member benefits were “picked up” by the employer for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

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. The 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, 2016.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

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

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are 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.

For PERA Fund Municipal General Division, at June 30, 2017, the Authority reported a liability of \$1,441,093 for its proportionate share of the net pension liability. At June 30, 2016, the Authority's proportion was 0.0873 percent, which changed from its proportion measured as of June 30, 2015 of 0.0902 percent.

For the year ended June 30, 2017, the Authority recognized PERA Fund Municipal General Division pension expense of \$172,468. At June 30, 2017, the Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 84,503	\$ 240
Changes in proportion and differences between Southern Sandoval County Arroyo Flood Control Authority's contributions and proportionate share of contributions	44,093	-
Net difference between projected and actual earnings on pension plan investments	265,158	-
Southern Sandoval County Arroyo Flood Control Authority's difference between expected and actual experience	72,003	14,064
Southern Sandoval County Arroyo Flood Control Authority's contributions subsequent to the measurement date	<u>77,862</u>	<u>-</u>
Total	<u>\$ 543,619</u>	<u>\$ 14,304</u>

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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

\$77,862 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (105,738)
2018	(105,738)
2019	(172,218)
2020	(67,759)
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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Southern Sandoval Arroyo Flood Control Authority’s proportionate share of the net pension liability	\$ 1,515,486	\$ 1,441,093	\$ 854,300

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Payables to the pension plan. At June 30, 2017 there were no contributions due and payable to PERA for the Authority. Contractually required contributions are remitted to PERA monthly.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

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.

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 contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

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

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, 2017, 2016, and 2015 were \$16,336, \$15,448, and \$14,477, respectively, which equal the required contributions for each year.

NOTE 11. Contingent Liabilities

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

The Authority's flood control system is designed to withstand storms of certain levels of severity based on historical climate data. As climate change continues to impact weather and climate conditions, these predictions based on historical data may become less reliable 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, 2017
- B. Excess of expenditures over appropriations. No fund's expenditures exceeded its budgeted authority for the year ended June 30, 2017.
- 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, 2017.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 13. Commitments

The Authority had multiple construction projects ongoing as of the year ended June 30, 2017 that are to continue into the following fiscal year. These projects are as follows:

<u>Contractor</u>	<u>Project</u>	<u>Commitment</u>
Wilson	Lisbon Channel Trail Design	\$ 55,000
CWA	Arroyo Safety Project	100,000
Bristol Steel	Black Arroyo Shade Structure	41,700
Star Paving	Black Arroyo PII Construction	166,830
N/A	Calabacilla Playa ROW Purchases	700,000
CDM-Smith	Industrial Park Water Quality Project	155,000
		<u>\$ 1,218,530</u>

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

<u>Contractor</u>	<u>Project</u>	<u>Commitment</u>
Carreon Construction LLC	Corrales Heights Dam Access Road	\$ 65,000
Wilson	Lisbon Channel Trail Design	150,000
CDM-Smith	Masterplan Arroyo Access	50,000
CH2M	Black Arroyo Channel Stabilization Design	90,000
Smith Engineering	Lomitas Negras Phase II Design	400,000
HDR	Rainbow Pond Construction Observation	65,000
HDR	Lomitas Negras Construction Observation	154,000
Occam	Cactus Ponds Design	180,000
Select ROW	Rainbow Pond ROW Acquisition	25,000
		<u>\$ 1,179,000</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>
Unknown - must be bid	Lisbon Grade Control Structure	\$ 130,000
Unknown - must be bid	Rainbow Pond Construction	1,300,000
Unknown - must be bid	Lisbon Trail Construction	550,000
Unknown - must be bid	Cactus Ponds Construction	2,000,000
N/A	Unser Dam ROW Acquisition	35,000
N/A	ROW purchases throughout watersheds	45,000
		<u>\$ 4,060,000</u>

NOTE 14. Restricted Net Position

The government-wide statement of net position reports \$3,156,120 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

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.

NOTE 16. Joint Powers Agreements

IPA#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 SCAFCA: \$282,398

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

Audit Responsibility
Village of Corrales

Government Agency where Revenues and Expenditures are Reported
Village of Corrales

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

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

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 17. Tax Abatements

The Authority has not negotiated any tax abatement agreements. The Authority is affected by tax abatements entered into by other entities, as follows:

Agency number for Agency making the disclosure (Abating Agency)	6147	6147
Abating Agency Name	City of Rio Rancho	City of Rio Rancho
Abating Agency Type	Municipality (Home Rule)	Municipality (Home Rule)
Tax Abatement Agreement Name	Industrial Revenue Bond Project - Lease Agreement	Industrial Revenue Bond Project - Lease Agreement
Name of agency affected by abatement agreement (Affected Agency)	Southern Sandoval County Arroyo Flood Control Authority	Southern Sandoval County Arroyo Flood Control Authority
Agency number of Affected Agency	4096	4096
Agency type of Affected Agency	Special District	Special District
Recipient(s) of tax abatement	Bank of America	Call, LLC
Tax abatement program (name and brief description)	Industrial Revenue Bonds - Authorize issuance of \$9,000,000 in industrial revenue bonds, Series 1998B, the proceeds of which will be used to finance the acquisition and construction of property. The property is leased to the Bank of America.	Authorize an additional \$5,000,000 in Industrial Revenue Bonds in addition to \$11,000,000 in bonds that were issued in 1998 (Series A) for a total of \$16,000,000. Extend the Series A final maturity from 2023 to 2028. The bonds were issued for the purpose of making facility improvements and upgrades, as well as expanding parking capacity for the facility. The City will lease the facility to Call, LLC who will be sub-leased to Safelite Solutions LLC.
Specific Tax(es) Being Abated	Property Taxes	Property Taxes
Authority under which abated tax would have been paid to Affected Agency	Property Tax Code NMSA Chapter 7 Articles 35-38	Property Tax Code NMSA Chapter 7 Articles 35-38
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$ 6,310.98	\$ 12,267.18
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A	N/A
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A	N/A

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 17. Tax Abatements (continued)

Agency number for Agency making the disclosure (Abating Agency)	6147	5025
Abating Agency Name	City of Rio Rancho	Sandoval County, New Mexico
Abating Agency Type	Municipality (Home Rule)	County Government
Tax Abatement Agreement Name	Industrial Revenue Bond Project - Lease Agreement	\$16,000,000,000 Sandoval County, New Mexico Taxable Industrial Revenue Bonds, (Intel Corporation Project), Series 2004 C3
Name of agency affected by abatement agreement (Affected Agency)	Southern Sandoval County Arroyo Flood Control Authority	Southern Sandoval County Arroyo Flood Control Authority
Agency number of Affected Agency	4096	4096
Agency type of Affected Agency	Special District	Flood Control Authority
Recipient(s) of tax abatement	Titan City Center, LLC	Intel Corporation
Tax abatement program (name and brief description)	HP IRB -Issuance of an Industrial Revenue Bond in the maximum principal amount of \$63,500,000 to provide funds to finance the acquisition, construction and equipping of an industrial revenue project. The City will lease the property to the Titan City Center, LLC which will be sub-leased to Hewlett-Packard Company.	Intel Corporation Project
Specific Tax(es) Being Abated	Property Taxes	Property Tax on real property and personal property used in business
Authority under which abated tax would have been paid to Affected Agency	Property Tax Code NMSA Chapter 7 Articles 35-38	Property Tax Code [Articles 35 to 38 of Chapter 7 NMSA 1978]
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$ 27,604.68	\$422,646.32 reduction for Debt Service Levy and \$280,185.07 reduction for Operational Levy
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A	Not Applicable.
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A	Not Applicable.

NOTE 18. 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, 2017, 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.

STATE OF NEW MEXICO
Southern Sandoval County Arroyo Flood Control Authority
Notes to Financial Statements
June 30, 2017

NOTE 19. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is December 6, 2017, which is the date on which the financial statements were issued.

NOTE 20. Subsequent Pronouncements

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 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.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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*

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of	Date (As of	Date (As of
	and for the	and for the	and for the
	Year Ended	Year Ended	Year Ended
	<u>June 30, 2016)</u>	<u>June 30, 2015)</u>	<u>June 30, 2014)</u>
Southern Sandoval County Arroyo Flood Control Authority's proportion of the net pension liability	0.0902%	0.0873%	0.0836%
Southern Sandoval County Arroyo Flood Control Authority's proportionate share of the net pension liability	\$ 1,441,093	\$ 890,099	\$ 652,170
Southern Sandoval County Arroyo Flood Control Authority's covered payroll	\$ 772,413	\$ 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 payroll	186.57%	122.97%	96.10%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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
 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*

Schedule II

	As of and for the Year Ended <u>June 30, 2017</u>	As of and for the Year Ended <u>June 30, 2016</u>	As of and for the Year Ended <u>June 30, 2015</u>
Contractually required contribution	\$ 77,862	\$ 73,765	\$ 69,125
Contributions in relation to the contractually required contribution	(77,862)	(73,765)	(69,125)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Southern Sandoval County Arroyo Flood Control Authority's covered payroll	\$ 816,782	\$ 772,413	\$ 723,826
Contributions as a percentage of covered payroll	10%	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 Country Arroyo Flood Control Authority
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.

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, 2017

<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, 2017</u>	<u>Location of Safekeeper</u>
Wells Fargo Bank, N.A.					
	FNMA FNMS 3.000%	12/1/2026	3138E0SF7	<u>\$ 133,712</u>	BNY Mellon, One Wall Street, NY NY
	Total Wells Fargo Bank, N.A.			<u>133,712</u>	
	<i>Total Pledged Collateral</i>			<u><u>\$ 133,712</u></u>	

See independent auditors' report.

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Schedule of Deposit and Investment Accounts
 June 30, 2017

Schedule IV

<u>Bank Account Type/Name</u>	<u>Wells Fargo Bank</u>	<u>State Treasurer's Office</u>	<u>Total</u>
Checking - Operational	\$ 481,200	\$ -	\$ 481,200
Investments - LGIP	-	5,218,909	5,218,909
Total on deposit	481,200	5,218,909	5,700,109
Reconciling items	(241,454)	20	(241,434)
<i>Reconciled balance</i>	<u>\$ 239,746</u>	<u>\$ 5,218,929</u>	5,458,675
Plus: Petty cash			<u>200</u>
<i>Total deposits and investments</i>			<u>\$ 5,458,875</u>
Cash and cash equivalents and investments per financial statements:			
Governmental Activities Cash and cash equivalents - Exhibit A-1			\$ 239,946
Governmental Activities Unrestricted Investments - Exhibit A-1			2,062,809
Governmental Activities Restricted Investments - Exhibit A-1			<u>3,156,120</u>
<i>Total</i>			<u>\$ 5,458,875</u>

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

Wayne A. Johnson
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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial, and have issued our report thereon dated December 6, 2017.

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

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
December 6, 2017

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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

Wayne A. Johnson
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, 2017. 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, 2017.

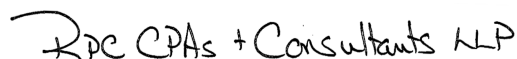
Report on Internal Control Over Compliance

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
Albuquerque, New Mexico
December 6, 2017

STATE OF NEW MEXICO
 Southern Sandoval County Arroyo Flood Control Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

<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	\$ 351,422	\$ -	\$ -
<i>Total U.S. Department of Transportation</i>			<u>351,422</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	1,078,377	-	-
Hazard Mitigation Grant Program - Montoyas Arroyo Stabilization	FEMA-4079-DR-NM-SSCAFCA- * Montoyas Arroyo	97.039	42,066	-	-
Hazard Mitigation Grant Program - Arroyo Safety	FEMA-4079-DR-NM-SSCAFCA- * Arroyo Safety	97.039	3,066	-	-
Total Hazard Mitigation Grant Program			<u>1,123,509</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Homeland Security</i>			<u>1,123,509</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,474,931</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, 2017

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, 2017, 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	\$ 1,474,931
Total expenditures funded by other sources	<u>7,716,017</u>
<i>Total expenditures per the statement of revenues, expenditures, and changes in fund balance</i>	<u><u>\$ 9,190,948</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, 2017

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: 40px;">CFDA
<u>Number</u>
97.039</td> <td style="text-align: center;">Federal Program
<u>Hazard Mitigation Grant Program</u></td> </tr> </table> | CFDA
<u>Number</u>
97.039 | Federal Program
<u>Hazard Mitigation Grant Program</u> | |
| CFDA
<u>Number</u>
97.039 | Federal Program
<u>Hazard Mitigation Grant Program</u> | | |
| 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, 2017

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, 2017

Exit Conference

An exit conference was held on December 6, 2017. 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

RPC CPAs + Consultants, LLP

Alan D. "A.J." Bowers, Jr., CPA, Partner
Gwen Mansfield-Vogt, CPA, Audit Manager

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.