

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2011

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
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JUNE 30, 2011

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STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2011

BOARD OF DIRECTORS

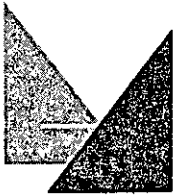
Mark Conkling
Donald Rudy
James F. Fahey Jr.
Steve House
John Chaney

Chairman
Chair Pro Tem
Treasurer
Secretary
Director

EXECUTIVE PERSONNEL

Charles Thomas, P.E.
Deborah Casaus, CPA
Sandra Parker

Executive Engineer
Fiscal Services Director
Accountant



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities and 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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Authority's budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information in the accompanying individual fund financial statements for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Sandoval County Arroyo Flood Control Authority as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the debt service fund and the capital projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011 on our consideration of Southern Sandoval County Arroyo Flood Control 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparison schedules for the debt service fund and the capital projects fund presented as supplementary information. The Schedules of Cash Accounts and Pledged Collateral and Joint Powers Agreements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mackie, Reid & Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 14, 2011

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The Southern Sandoval County Arroyo Flood Control Authority (the "Authority" or "SSCAFCA") management discussion and analysis includes: (i) an explanation of the Authority's basic financial statements, including the relationships of the statements to one another and the significant differences in the information they provide; (ii) an analysis of the overall financial position of the Authority including current year results of operations in comparison with the previous year; (iii) a discussion of the capital assets of the Authority including significant additions to capital assets and any related debt activity; (iv) an analysis of significant variations between budgeted and actual amounts of revenues and expenditures; and (v) a discussion of the Authority's plans for future activities/projects which may have a significant impact on its financial position.

Overview of Financial Statements

The financial statements of the Authority are presented in two parts: government-wide financial statements and fund financial statements. Government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies and consist of the statement of net assets and the statement of activities. Fund financial statements consist of a balance sheet, a statement of revenues, expenditures and changes in fund balance, and a budgetary comparison schedule for each of the funds used by the Authority: general, debt service and capital projects funds. See Notes to Financial Statements, No. 2-Summary of Significant Accounting Policies for a more detailed discussion of the two types of financial statements of the Authority.

Financial Position and Current Year Results of Operations

Financial information in condensed form comparing fiscal year ending June 30, 2011 (FY11) with fiscal year ending June 30, 2010 (FY10), as restated, appears in the tables below:

Comparative Statement of Net Assets (\$000)

	<u>FY11</u>	<u>FY10, restated</u>	<u>Incr/(decr) 11 over 10</u>
Assets			
Current Assets	9,306	8,474	832
Capital Assets	67,255	66,356	899
Other Assets	<u>216</u>	<u>200</u>	<u>16</u>
Total Assets	<u>76,777</u>	<u>75,030</u>	<u>1,747</u>
Liabilities			
Current Liabilities	2,138	2,030	108
Noncurrent Liabilities	<u>25,370</u>	<u>24,443</u>	<u>927</u>
Total Liabilities	<u>27,508</u>	<u>26,473</u>	<u>1,035</u>
Net Assets			
Investment in capital assets net of related debt	40,528	40,604	(76)
Restricted for:			
Debt Service	2,189	2,264	(75)
Capital Projects	4,572	4,068	504
Unrestricted	<u>1,980</u>	<u>1,621</u>	<u>359</u>
Total Net Assets	<u>49,269</u>	<u>48,557</u>	<u>712</u>

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Comparative Statement of Activities (\$000)

	<u>FY11</u>	<u>FY10, restated</u>	<u>Incr/(decr)</u> <u>11 over 10</u>
Expenses:			
Governmental Activities			
General Government	(2,446)	(1,975)	471
Depreciation	(775)	(695)	80
Interest expense	(928)	(902)	26
Total expenses	<u>(4,149)</u>	<u>(3,572)</u>	<u>577</u>
Program Revenue			
Non-cash capital contributions	-	1,271	(1,271)
Operating grants	292	-	292
Other revenue	<u>2</u>	<u>-</u>	<u>2</u>
Total program revenue	<u>294</u>	<u>1,271</u>	<u>(977)</u>
General Revenue			
Property taxes	4,561	4,526	35
Investment	15	17	(2)
Net gains/losses on disposition of property & other	<u>(9)</u>	<u>61</u>	<u>(70)</u>
Total General Revenue	<u>4,567</u>	<u>4,604</u>	<u>(37)</u>
Change in Net Assets	712	2,303	(1,591)
Net Assets-beginning of year, as restated	<u>48,557</u>	<u>46,254</u>	<u>2,303</u>
Net Assets-end of year	<u>49,269</u>	<u>48,557</u>	<u>712</u>

The financial position of the Authority has improved somewhat in FY11. This can be seen in the increase in total net assets of approximately \$0.7 million. Capital assets increased by \$.9 million which primarily consists of purchased right-of-way and increases in intangibles and work in progress, net of depreciation and amortization. The Authority also constructed various small flood control improvements throughout the year. Total liabilities of the Authority increased by \$1.03 million, which is primarily due to the issuance of the Series 2011 Bonds in March 2011.

Property tax revenue in the General Fund increased by approximately \$84,000 in FY11 over FY10. The operational tax rate for FY11 was set at 0.784 mills for residential and 0.885 mills for non-residential property. The total assessed value of property within the boundaries of SSCAFCA was \$2,658,789,361 in tax year 2009 (FY10) and \$2,672,702,412 in tax year 2010 (FY11) resulting in a modest increase of 0.5% in total assessed valuation. The growth resulting from new construction of 2% was reduced by the reassessment activities of the Sandoval County Assessor of -1.5%. The total assessed value of taxable property within the boundaries of the Authority has increased an average of 11.52% each year over the past ten years and at an average annual rate of 12.51% over the past five years. Because of the current economic conditions and reassessments by the County Assessor's Office a conservative growth rate in the range of 0-2% will be utilized for budgetary purposes in the near term. The budget for FY12 assumes a 0% increase in property tax revenues in the General Fund.

STATE OF NEW MEXICO
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ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The end of year fund balance in the General Fund increased by approximately \$331,000 in FY11 over FY10. The increase is the result of higher revenues than estimated and the restriction of expenditure growth by management during FY11 due to uncertainty about future economic growth.

The end of year fund balance in the Debt Service Fund decreased by approximately \$48,000 in FY11 over FY10 due to a modest decrease in property tax collection of \$11,000 and a decrease in debt service payments.

The end of year fund balance in the Capital Projects Fund was approximately \$4.6 million for FY11 vs. \$4.1 million for FY10, an increase of approximately \$0.5 million. This increased fund balance is the result of a new bond issue of \$2.5 million in FY11 of which most of the expenditures are budgeted in FY11. Additionally the Authority received grant funds of \$291,000 as reimbursement of 75% of expenditures for a storm event that occurred in August 2010 that was declared an emergency.

Capital Assets and Long-Term Debt

Capital assets of the Authority as of 6/30/11 include \$28 million in non-depreciable land and easements. The increase of \$1 million over FY10 represents approximately 18 acres of purchased flood control right-of-way.

Other capital assets as of the end of FY11 include infrastructure facilities which have an estimated useful life of 70 years and a value of \$34.1 million, net of accumulated depreciation. Additions to capital assets in FY11 include several small fencing and pond improvements costing approximately \$51,000. Based on the decline in market values of raw land in the jurisdiction, the Authority chose to focus on acquiring needed right-of-way for the future construction of flood-control facilities. Construction in progress on future infrastructure facilities amounts to \$1,257,643 as of 6/30/11. The remainder of the Authority's capital assets as of 6/30/11 is comprised of its office building valued at \$2,980,000, which includes a newly built expansion and parking lot; four vehicles and furniture and equipment valued at \$187,000, all net of accumulated depreciation and various intangible assets valued at \$707,000. The Authority began capitalizing Watershed Management Plans and Facility Plans as intangible assets beginning last fiscal year as required in a new Governmental Accounting Standards Board Statement.

SSCAFCA has \$26,786,000 outstanding in general obligation bonds as of 6/30/11 versus \$25,777,000 at 6/30/10. The increase is attributed to the issuance of \$2,500,000 Series 2011 G.O. Bonds in March 2011. This is the third issuance of \$18,000,000 that was authorized by the voters in November 2008 of which \$7 million of bonding authorization remains. We are at 45% of our bonding capacity. It should be recognized that SSCAFCA's bonding capacity was increased through unanimous support by the New Mexico Legislature in 2009, from \$30 million to \$60 million.

Total bonded debt as of 6/30/11 is made up of eight series of general obligation bonds (Series 2005, 2005A, 2007, 2007A, 2009, 2010A, 2010B, and 2011) which are scheduled to be retired over the next 13 years. The total proceeds of these eight series of bonds amounts to \$29,360,000, which has been, or will be, spent on the acquisition and/or design and construction of flood control system capital projects and to redeem series 1999 and Series 2001 Bonds.

STATE OF NEW MEXICO
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ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Budgetary Performance

Total general fund expenditures in FY11 were \$1,263,000 less than total appropriations. Various factors contributed to the budget surplus including one position that was vacant for the entire year. Savings were achieved in other line items such as operations and maintenance in which specific projects were able to be delayed without a loss in functionality until the next fiscal year. Management takes great pride in these cost savings. Also, extended right-of-way negotiations resulted in delays in acquisitions, resulting in budgetary savings in that line item. Another factor in the budget surplus was a reallocation of reserves to operations and maintenance after the August 2010 storm event. However, these reserves were not utilized as expenditures relating to this event were largely covered by the grant funds received.

Plans for Future Activities

Due to the decline in the Authority's assessed valuation, a G.O. bond issue for capital projects is not planned for FY12. The Authority will be exploring the possibility of doing a future debt refunding as more debt is retired and outstanding bonds become callable. Such a refinancing transaction would be for the purpose of generating debt service savings as well as producing new dollars to be used for capital projects.

The Authority is actively exploring all sources of revenue available to it. We are aggressively seeking grant funding and working with other local governments to pursue the possibility of further joint powers agreements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	\$ 235,207
Cash	8,431,635
Investments	
Receivables:	578,090
Ad valorem assessments	1,584
Interest	34,712
Grant and other	24,616
Prepaid expenses	215,913
Bond issue costs, net of accumulated amortization	
Capital assets	28,024,203
Land and easements	
Depreciable buildings, property and infrastructure, net of accumulated depreciation	37,266,770
Intangibles, net of accumulated amortization	706,592
Construction in progress	<u>1,257,643</u>
Total assets	<u>76,776,965</u>
Liabilities	80,277
Accounts payable	19,560
Salaries and benefits payable	403,916
Accrued interest payable	
Accrued compensated absences-	39,549
Payable within one year	21,832
Payable after one year	
General obligation bonds payable-	1,595,000
Portion due within one year	25,130,000
Portion due after one year	218,124
Bond premium, net of accumulated amortization	<u>27,508,258</u>
Total liabilities	
Net assets	40,527,997
Invested in capital assets, net of related debt	
Restricted:	4,572,055
For capital projects	2,189,199
For debt service	<u>1,979,456</u>
Unrestricted	
Total net assets	\$ <u>49,268,707</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
Program expenses	
Public Works:	
Personnel services	\$ 661,516
Employee benefits	228,780
Planning and engineering	660,471
General and administrative expenses	679,823
Contractual operating and maintenance services	215,572
Depreciation and amortization	774,522
Interest	<u>928,101</u>
Total program expenses	<u>4,148,785</u>
Program revenue	
Charges for services:	
Other revenue	2,373
Grant revenue	<u>291,349</u>
Total program revenue	<u>293,722</u>
Net program expense	(3,855,063)
General revenues	
Ad valorem assessments	4,560,405
Investment income	15,331
Loss on equipment and property removal	<u>(8,518)</u>
Total general revenues	<u>4,567,218</u>
Increase in net assets	712,155
Net assets, beginning of year, as previously reported	48,143,718
· Prior period restatement	<u>412,834</u>
Net assets, beginning of year, as restated	<u>48,556,552</u>
Net assets, end of year	\$ <u>49,268,707</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash	\$ 235,207	\$ -	\$ -	\$ 235,207
Investments	1,510,664	2,293,808	4,627,163	8,431,635
Receivables:				
Ad valorem assessments	278,840	299,250	-	578,090
Interest	257	335	992	1,584
Grant and other	1,366	-	33,346	34,712
Interfund receivable	278	-	-	278
Prepaid expenses	<u>24,616</u>	<u>-</u>	<u>-</u>	<u>24,616</u>
Total assets	<u>\$ 2,051,228</u>	<u>\$ 2,593,393</u>	<u>\$ 4,661,501</u>	<u>\$ 9,306,122</u>
 <u>Liabilities and fund balances</u>				
Liabilities				
Accounts payable	\$ 24,177	\$ -	\$ 56,100	\$ 80,277
Salaries and benefits payable	19,560	-	-	19,560
Interfund payable	-	278	-	278
Deferred revenue	<u>249,863</u>	<u>266,992</u>	<u>33,346</u>	<u>550,201</u>
Total liabilities	<u>293,600</u>	<u>267,270</u>	<u>89,446</u>	<u>650,316</u>
Fund balances				
Nonspendable				
Prepaid expenses	24,616	-	-	24,616
Restricted	-	2,326,123	4,572,055	6,898,178
Assigned	<u>1,733,012</u>	<u>-</u>	<u>-</u>	<u>1,733,012</u>
Total fund balances	<u>1,757,628</u>	<u>2,326,123</u>	<u>4,572,055</u>	<u>8,655,806</u>
Total liabilities and fund balances	<u>\$ 2,051,228</u>	<u>\$ 2,593,393</u>	<u>\$ 4,661,501</u>	<u>\$ 9,306,122</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances – governmental funds (Balance Sheet)		\$ 8,655,806
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in the funds.		67,255,208
Delinquent ad valorem assessments and grant receivable are not available to pay current period expenditures and, therefore, are reported as deferred revenues in the fund financial statements.		550,201
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation bonds payable	\$ (26,725,000)	
Accrued interest payable	(403,916)	
Accrued compensated absences	(61,381)	
Total liabilities		(27,190,297)
Bond issue costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities		215,913
Bond premiums received are recognized as other financing sources in the period received for fund financial statements but are amortized for governmental activities		(218,124)
Total net assets (Statement of Net Assets)		\$ <u>49,268,707</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Ad valorem assessments	\$ 2,164,978	\$ 2,334,533	\$ -	\$ 4,499,511
Investment income	2,569	2,846	9,916	15,331
Grant revenue	-	-	291,349	291,349
Charges for services				
Other revenue	<u>2,373</u>	<u>-</u>	<u>-</u>	<u>2,373</u>
Total revenues	<u>2,169,920</u>	<u>2,337,379</u>	<u>301,265</u>	<u>4,808,564</u>
Expenditures				
Current				
Public works	1,754,467	-	662,725	2,417,192
Capital outlay	84,540	-	1,597,578	1,682,118
Debt service				
Principal	-	1,520,000	-	1,520,000
Interest	-	903,108	-	903,108
Bond issuance costs	<u>-</u>	<u>-</u>	<u>36,642</u>	<u>36,642</u>
Total expenditures	<u>1,839,007</u>	<u>2,423,108</u>	<u>2,296,945</u>	<u>6,559,060</u>
Excess (deficiency) of revenues over expenditures	<u>330,913</u>	<u>(85,729)</u>	<u>(1,995,680)</u>	<u>(1,750,496)</u>
Other financing sources				
Bond premium	-	37,439	-	37,439
Bond proceeds	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total other financing sources	<u>-</u>	<u>37,439</u>	<u>2,500,000</u>	<u>2,537,439</u>
Net change in fund balances	330,913	(48,290)	504,320	786,943
Fund balances, beginning of year	<u>1,426,715</u>	<u>2,374,413</u>	<u>4,067,735</u>	<u>7,868,863</u>
Fund balances, end of year	\$ <u>1,757,628</u>	\$ <u>2,326,123</u>	\$ <u>4,572,055</u>	\$ <u>8,655,806</u>

See accompanying notes to 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
YEAR ENDED JUNE 30, 2011

Net change in fund balances – governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ 786,943
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures, while in the statement of activities the cost of these assets is capitalized	1,682,118
Governmental funds do not report depreciation and amortization expense which is recorded in the statement of activities	(774,522)
In the statement of activities, cost of assets disposed is included, whereas in the governmental funds the proceeds from asset dispositions are included. Thus, the change in net assets differs from the change in fund balance by the net book value of assets disposed	(8,518)
Governmental funds do not report the net change in accrued interest payable	(30,227)
Certain receivables are not available financial resources and therefore are reported as deferred revenue in the fund financial statements	60,893
Governmental funds do not report the net change in compensated absences	(28,970)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets	(2,500,000)
Current year bond premiums received are reported as an other financing source in the fund financial statements but is capitalized in the statement of activities	(37,439)
Bond premium is not amortized for fund financial statement purposes but are for governmental activities – current year amortization	26,339
Current year bond issue costs are reported as an expense in the fund financial statements but are capitalized in the statement of activities	36,642
Bond issuance costs are not amortized for fund financial statement purposes but are for governmental activities – current year amortization	(21,104)
The repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets	<u>1,520,000</u>
Increase in net assets of governmental activities (Statement of Activities)	\$ <u>712,155</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 1,952,000	\$ 1,952,000	\$ 2,166,765	\$ 214,765
Interest	3,750	3,750	2,456	(1,294)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,373</u>	<u>2,373</u>
Total revenues	<u>1,955,750</u>	<u>1,955,750</u>	<u>2,171,594</u>	<u>215,844</u>
Expenditures				
Salaries	740,996	740,996	644,896	96,100
Benefits and taxes	295,158	295,158	224,472	70,686
Administrative fee	43,000	43,000	45,031	(2,031)
Audit expense	10,000	10,000	9,733	267
Board meetings	15,000	15,000	16,699	(1,699)
Contractual services	327,000	327,000	219,254	107,746
Election	20,000	20,000	529	19,471
Environmental permitting	55,000	55,000	7,142	47,858
Equipment rental	1,000	1,000	-	1,000
Insurance and bonds	80,000	80,000	79,679	321
Legal ads and notices	15,000	15,000	13,326	1,674
Maintenance	78,000	78,000	60,441	17,559
Membership fees	15,000	15,000	9,281	5,719
Miscellaneous	6,462	6,462	2,864	3,598
Moving and storage expense	3,000	3,000	1,440	1,560
Office supplies	12,000	12,000	8,741	3,259
Paying agent expense	4,500	4,500	2,891	1,609
Printing	10,000	10,000	10,766	(766)
Planning and engineering	55,000	55,000	83,343	(28,343)
ROW acquisition and costs	125,000	125,000	-	125,000
Property tax	100,000	100,000	34,252	65,748
Postage	3,500	3,500	2,603	897
Staff mileage	2,000	2,000	629	1,371
Training	25,000	25,000	12,836	12,164
Subscriptions	3,000	3,000	1,721	1,279
Telephone	16,000	16,000	13,826	2,174
Utilities	8,000	8,000	7,217	783
Operations and maintenance	455,000	945,491	260,473	685,018
Furniture and equipment	5,000	5,000	9,996	(4,996)
Computers, software and mapping	30,000	30,000	18,902	11,098
Capital furniture and equipment	<u>65,000</u>	<u>65,000</u>	<u>48,428</u>	<u>16,572</u>
Total expenditures	<u>2,623,616</u>	<u>3,114,107</u>	<u>1,851,411</u>	<u>1,262,696</u>
Excess (deficiency) of revenues over expenditures	\$ (<u>667,866</u>)	\$ (<u>1,158,357</u>)	\$ <u>320,183</u>	\$ <u>1,478,540</u>
Prior year fund balance – budget basis	\$ <u>1,421,312</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(1) Organization

The Southern Sandoval County Arroyo Flood Control Authority (Authority) was created by the Arroyo Flood Control Act and is governed by such New Mexico law created there under designated as 72-19-1 to 72-19-103 NMSA 1978. The purpose of the Act is to provide a flood control system for the benefit of property within the boundaries of the Authority within Southern Sandoval County New Mexico. The Act provides for organization and the governing body and officers; provides for flood control facilities; specifies provisions relating to powers, duties, privileges, liabilities, loans, securities, taxes, revenues and finances; and prescribes reactions with other government bodies and agencies. The Authority is a political subdivision of the State of New Mexico and a body corporate and politic, as well as a quasi-municipal corporation.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These statements include:

- Presentation of management's discussion and analysis (MD&A) which provides an analysis of the District's overall financial position and results of operations.
- Presentation of financial statements prepared using full accrual accounting for all Authority activities including reporting capital assets and related depreciation.

Other significant accounting policies of the Authority are discussed below:

(a) Reporting Entity

The Authority's basic financial statements include the accounts of all Authority operations which are financially accountable to the Board of Directors. The Authority has no component units.

(b) Government-Wide and Fund Financial Statements

For its government-wide activities, the Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has no business type activities.

The government-wide financial statements (the statement of net assets and the statement of activities) report information based on the Authority as a whole.

The statement of net assets incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts - invested in capital assets net of related debt; restricted net assets, and unrestricted net assets.

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SOUTHERN SANDOVAL COUNTY
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(b) Government-Wide and Fund Financial Statements (continued)

The statement of activities indicates the degree to which the direct expenses of a given function are offset by related program revenues. Program revenues include charges for services, operating grant revenue and noncash capital contributions when received.

The net cost (by function) is normally covered by general revenues (ad valorem assessments and interest revenue). The Authority does not currently employ indirect cost allocation systems.

Separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The Authority's activities are all governmental activities and the Authority did not have proprietary or fiduciary funds during the year ended June 30, 2011. The General Fund, the Debt Service Fund, and the Capital Projects Fund have been classified as major funds. There were no non-major funds.

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented which briefly explain the differences between the fund financial statements and the government-wide financial statements.

(c) Fund Accounting

The financial activities of the Authority are recorded in individual funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Authority resources are allocated to and accounted for in individual funds based upon the purpose which they are to be spent and the means by which spending activities are controlled. Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the year that are expected to be paid back within the year are included in interfund receivable/payable in the accompanying balance sheet. The Authority's financial activities have been classified into the following governmental funds:

General Fund - The General Fund is the operating fund of the Authority. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for and the payment of, interest and principal on long-term general obligation bonds.

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources used for the acquisition and construction of major flood control system projects and related costs.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(d) Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The fund financial statements are presented using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Ad valorem assessments and grant revenue from entities are considered available if collected within thirty days of year end and agreement requirements have been met. Investment earnings are considered available when earned. Other revenues are generally considered measurable and available only when cash is received by the Authority.

(e) Prepaid Expenses

Prepaid expenses consist of insurance costs that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the next fiscal year.

(f) Capital Assets

Capital assets, which include property, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets which have a cost of \$5,000 or more at the date of acquisition. Capital assets purchased, constructed, or acquired are carried at historical cost or estimated historical cost. The Authority capitalizes purchased software and has no internally developed software. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal repairs and maintenance are expensed as incurred.

The Authority does not capitalize interest in regards to any of its capital assets.

The Authority owns certain infrastructure assets including dams, ponds and drainage channels. The Authority also owns title to various sections of land and has drainage easements associated with their infrastructure. The property rights underneath and around all major facilities have been capitalized at actual or estimated historical cost or fair market value for contributed assets.

Intangibles, which have a cost of \$5,000 or more at date placed in service, represent the costs of process and operations and maintenance manuals, watershed management plans, drainage facility plans, and emergency action plans. Intangibles are amortized on a straight-line basis over estimated useful lives of 10 years.

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

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NOTES TO FINANCIAL STATEMENTS
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(2) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

Depreciation and amortization on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority estimates the useful lives of capital assets as follows:

Buildings and improvements	40 years
Office furniture and equipment	7-12 years
Computer equipment and purchased software	7-8 years
Motor vehicles	10 years
Infrastructure	70 years
Fencing	10 years
Intangibles	10 years

(g) Compensated Absences

Qualified employees are entitled to accumulate amounts of annual leave which is payable to the employee upon termination or retirement. Annual leave accrues at the rate of eighty hours per year. Employees with over five years of service accrue annual leave at the rate of one hundred twenty hours per year. Employees with over ten years of service accrue annual leave at the rate of one hundred sixty hours per year. Employees with over fifteen years of service accrue annual leave at the rate of two hundred hours per year. The maximum accrual of annual leave is 280 hours. At June 30, 2011, accrued vested annual leave totaled \$61,381.

Qualified employees are entitled to accumulate sick leave. Sick leave accrues at the rate of one hundred four hours per year. Sick leave hours in excess of 1,200 hours shall be forfeited at the end of each calendar year. Upon termination, all accumulated sick leave will be forfeited. At June 30, 2011, there was no accrued accumulated sick leave.

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

h) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims, excluding insurance deductibles, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(i) Fund Balances

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

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

As of June 30, 2011, the debt service fund contains the restricted funds available for debt service and the capital projects fund contains the restricted funds available for construction projects and related costs.

As of June 30, 2011, the general fund assigned fund balance includes the amount necessary to balance the budget for the year ended June 30, 2012 (\$998,508), and in accordance with state budget guidance an amount equal to 1/12 of budgeted expenditures for the year ended June 30, 2012 (\$252,876). The Authority also assigns a portion of fund balance for specific future use, not available for appropriation or expenditure (\$481,628). The Board of Directors of the Authority via resolution is authorized to assign fund balances that the Authority intends to use for specific purposes.

(j) Restricted Net Assets

The Authority records restricted net assets when there are legal limitations imposed on their use by law. These same legal limitations are reflected as restrictions of fund balance. If restricted and unrestricted assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

(k) Budgets and Budgetary Accounting

The Authority follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Authority determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Directors, and approved by DFA. The Authority submits a proposed budget to the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) for the fiscal year commencing the following July 1. 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
YEAR ENDED JUNE 30, 2011

(2) Summary of Significant Accounting Policies (continued)

(k) Budgets and Budgetary Accounting (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.

(l) Use of Estimates

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

(m) 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.

(3) Stewardship, Compliance and Accountability

Current year budgeted expenditures and transfers exceeded budgeted revenues in the general fund by \$1,158,357, in the debt services fund by \$2,105,143, and in the capital projects fund by \$4,146,254. Prior year cash and investment balances were used to complete the budget process for these funds.

(4) Cash

Cash at June 30, 2011 represents amounts deposited in commercial bank accounts and petty cash.

The Authority is authorized to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States government. In accordance with Section 6-10-16, NMSA 1978 Compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year.

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NOTES TO FINANCIAL STATEMENTS
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(4) Cash (continued)

Custodial credit risk is the risk that the deposits are not returned in the event of bank failure. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency, but not in the Authority's name.

At June 30, 2011, the carrying amount of the Authority's cash deposits was \$235,207. The bank balance was \$329,060. All of the bank balance was covered by federal depository insurance.

(5) Investments

The Authority has adopted an Investment Policy that addresses investment interest rate and credit risks by specifying suitable and authorized investments, defining investment diversification and maturity parameters, and requiring collateralization of investments held at financial institutions.

The Authority's investments at June 30, 2011 consisted of four accounts in the New Mexico State Treasurer's Local Government Investment Pool (Pool), which are stated at fair value (\$8,431,635), based on quoted market prices as of June 30, 2011.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the local government investment pool is voluntary.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment in the Pool is subject to credit risk. The Pool is rated AAAM, by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The Pool's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2011 the Pool's WAM is 36 days. In accordance with its investment policy, the Authority, when applicable, manages its exposure to declines in fair values on certificates of deposit by limiting investments to maturities no longer than three years from the date of purchase.

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(5) Investments (continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2011, the Pool investments were all in U.S. dollar-denominated assets, and as such were not subject to foreign currency risk.

(6) Ad valorem Assessments

Ad valorem assessments are levied each calendar year in November, based on taxable property valuations within the Authority's boundaries as determined by the New Mexico Sandoval County Assessor. The ad valorem assessments are due in two equal installments November 10, and April 10, following the levy, payable to the Sandoval County Treasurer. The ad valorem assessments are collected by the county treasurer and remitted to the Authority on a monthly basis.

Under the modified accrual basis of accounting, all ad valorem assessments collected by the County and remitted to the Authority within thirty days of year end are recorded as revenue and all ad valorem assessments not collected within thirty days following year end being reported as deferred revenue within the governmental funds. Under the full accrual basis of accounting, ad valorem assessments are recorded as a receivable and revenue when billed to taxpayers by the New Mexico Sandoval County Treasurer.

For the year ended June 30, 2011, the ad valorem assessments levied by the Authority were .784 mills for residential and .885 mills for nonresidential property per \$1,000 of taxable value for operating purposes and .87 mills per \$1,000 of taxable value for debt service requirements, respectively. Section 7-37-7.1 NMSA 1978 limits the allowable increase in property taxes for operating purposes from the preceding year, but it does not limit any debt service levy. Lien rights are available to the Authority on all delinquent ad valorem assessments.

(7) Interfund Balances

The Authority may incur temporary interfund balances to facilitate expenditure requirements. Balances have been eliminated in the government-wide financial statements.

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NOTES TO FINANCIAL STATEMENTS
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(8) Capital Assets

The following is a summary of changes in capital assets:

	June 30, 2010, <u>restated</u>	<u>Additions</u>	<u>Transfers/ Dispositions</u>	<u>June 30, 2011</u>
Land and easements				
Operating land	\$ 228,500	\$ -	\$ -	\$ 228,500
Fee simple and easement land	<u>26,812,260</u>	<u>983,443</u>	<u>-</u>	<u>27,795,703</u>
Total land and easements	<u>27,040,760</u>	<u>983,443</u>	<u>-</u>	<u>28,024,203</u>
Depreciable assets				
Building and improvements	3,296,510	-	-	3,296,510
Furniture, equipment, and vehicles	391,742	36,196	(35,075)	392,863
Flood control system - Dams, ponds and drainage channels	<u>41,176,157</u>	<u>51,099</u>	<u>-</u>	<u>41,227,256</u>
Total depreciable assets	<u>44,864,409</u>	<u>87,295</u>	<u>(35,075)</u>	<u>44,916,629</u>
Less accumulated depreciation				
Building and improvements	(233,309)	(83,908)	-	(317,217)
Furniture, equipment and vehicles	(196,602)	(35,655)	26,557	(205,700)
Flood control systems- Dams, ponds and drainage channels	<u>(6,521,015)</u>	<u>(605,927)</u>	<u>-</u>	<u>(7,126,942)</u>
Total accumulated depreciation	<u>(6,950,926)</u>	<u>(725,490)</u>	<u>26,557</u>	<u>(7,649,859)</u>
Depreciable assets, net	<u>37,913,483</u>	<u>(638,195)</u>	<u>(8,518)</u>	<u>37,266,770</u>
Intangibles	252,526	202,607	302,932	758,065
Less accumulated amortization	<u>(2,441)</u>	<u>(49,032)</u>	<u>-</u>	<u>(51,473)</u>
Intangibles, net	<u>250,085</u>	<u>153,575</u>	<u>302,932</u>	<u>706,592</u>
Construction in progress	<u>1,151,802</u>	<u>408,773</u>	<u>(302,932)</u>	<u>1,257,643</u>
Total capital assets, net	\$ <u>66,356,130</u>	<u>907,596</u>	<u>(8,518)</u>	<u>67,255,208</u>

Depreciation and amortization expense amounted to \$774,522 for the year ended June 30, 2011 and is included under program expenses of governmental activities in the statement of activities. Intangibles and construction in progress balances at June 30, 2010 have been restated as described in footnote 15.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(9) Deferred Revenue

Receivables which do not meet the "available" criteria for revenue recognition under the modified accrual basis of accounting are recorded as deferred revenue. Deferred revenue at June 30, 2011 is attributable to ad valorem assessments and grant receivable in the amount of \$550,201.

(10) Long-Term Liabilities

The following changes occurred in long term liabilities during the fiscal year ended June 30, 2011:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Accrued Compensated Absences:				
Payable within one year	\$ 21,597	\$ 33,720	\$ 15,768	\$ 39,549
Payable after one year	<u>10,814</u>	<u>11,018</u>	<u>-</u>	<u>21,832</u>
	<u>32,411</u>	<u>44,738</u>	<u>15,768</u>	<u>61,381</u>
General Obligation Bonds Payable:				
Portion due within one year	1,520,000	1,595,000	1,520,000	1,595,000
Portion due after one year	<u>24,225,000</u>	<u>2,500,000</u>	<u>1,595,000</u>	<u>25,130,000</u>
	<u>25,745,000</u>	<u>4,095,000</u>	<u>3,115,000</u>	<u>26,725,000</u>
	<u>\$ 25,777,411</u>	<u>\$ 4,139,738</u>	<u>\$ 3,130,768</u>	<u>\$ 26,786,381</u>

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

The Authority has the following general obligation bonds payable as of June 30, 2011:

Series 2005

\$3,000,000, issued February, 2005, with variable interest from 3.25% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2005 maturing August 1, 2018. 2,650,000

Series 2005A

\$3,000,000 issued October 25, 2005, with variable interest from 3.7% to 3.9% paid semi-annually in February and August, principal payments due annually commencing August 1, 2006, maturing August 1, 2019. 2,275,000

Series 2007

\$4,000,000 issued February 1, 2007, with variable interest from 3.75% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2020 3,605,000

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(10) Long-Term Liabilities (continued)

Series 2007A

\$6,000,000 issued October 10, 2007, with variable interest from 3.65% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2008, maturing August 1, 2020 5,080,000

Series 2009

\$4,000,000 issued February 18, 2009, with variable interest from 3.0% to 3.8% paid semi-annually in February and August, principal payments due annually commencing August 1, 2014, maturing August 1, 2022 4,000,000

Series 2010A

\$4,500,000 issued March 2, 2010, with variable interest from 3.0% to 4.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2016, maturing August 1, 2023 4,500,000

Refunding Series 2010B

\$2,360,000 issued March 2, 2010, with interest at 3.0% paid semi-annually in February and August, principal payments due annually commencing August 1, 2010, maturing August 1, 2015 2,115,000

Series 2011

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

\$ 26,725,000

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

Debt service requirements to maturity are as follows:

<u>Due in Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,595,000	\$ 948,849
2013	1,845,000	894,474
2014	1,865,000	827,673
2015	2,025,000	755,949
2016	2,275,000	675,836
2017-2021	10,995,000	2,181,019
2022-2025	<u>6,125,000</u>	<u>367,650</u>
Total	\$ <u>26,725,000</u>	\$ <u>6,651,450</u>

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(11) Pension Plan – Public Employees Retirement Association (PERA)

Plan Description

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

Funding Policy

Plan members are required to contribute 3.2875% of their gross salary. (The Authority pays 75% of the employee contribution rate of 13.15%) The Authority is required to contribute 19.0125% of gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were \$106,899, \$126,699, and \$112,966, respectively, which equal the amount of the required contributions for each fiscal year.

(12) 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.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(12) Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows for employees who are not members of an enhanced retirement plan:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2012	1.834%	.917%
2013	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$10,532, \$8,688, and \$7,344, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(13) 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.

(14) Budgetary Basis of Accounting

The Budgetary Comparison Schedules for the governmental funds (NON-GAAP Budgetary Basis) Budget and Actual reflects actual results of operations on the budgetary basis of accounting (cash basis).

The major differences between the budgetary and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when measurable and available (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability was incurred (GAAP).

Adjustments necessary to convert the results of operations at June 30, 2011 from the budget basis to the GAAP basis are shown below:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Excess (deficiency) of revenues over expenditures (Budgetary Basis)	\$ 320,183	\$ (83,152)	\$ (1,996,578)
Adjustments:			
To adjust revenue accruals:			
Prior year	(30,860)	(35,170)	(1,034)
Current year	29,234	32,593	992
To adjust expenditure accruals and payments:			
Prior year	25,455	-	57,040
Current year	(13,099)	-	(56,100)
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ <u>330,913</u>	\$ <u>(85,729)</u>	\$ <u>(1,995,680)</u>

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(15) Prior Period Restatement

The financial statements as of and for the year ended June 30, 2010 have been restated in order to correct an error which resulted from understating intangibles and construction in progress at June 30, 2010. The Authority has broadened the intangible asset definition scope to include specific asset drainage plans. The effect on the statement of net assets as of June 30, 2010 is an increase in intangibles, net of amortization of \$109,902 and an increase in construction in progress of \$302,932. The effect on the statement of activities for the year ended June 30, 2010 is a decrease in planning and engineering expenses of \$415,275, and an increase in depreciation and amortization of \$2,441.

(16) Subsequent Events

Management has evaluated subsequent events through November 14, 2011, the date which the financial statements were available to be issued.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad valorem assessments	\$ 2,255,500	\$ 2,255,500	\$ 2,337,181	\$ 81,681
Interest	<u>3,000</u>	<u>3,000</u>	<u>2,775</u>	(225)
Total revenues	<u>2,258,500</u>	<u>2,258,500</u>	<u>2,339,956</u>	<u>81,456</u>
Expenditures				
Debt service:				
Principal	1,520,000	3,420,000	1,520,000	1,900,000
Interest	<u>943,643</u>	<u>943,643</u>	<u>903,108</u>	<u>40,535</u>
Total expenditures	<u>2,463,643</u>	<u>4,363,643</u>	<u>2,423,108</u>	<u>1,940,535</u>
Deficiency of revenues over expenditures	(205,143)	(2,105,143)	(83,152)	<u>2,021,991</u>
Other financing sources				
Bond premiums	<u>-</u>	<u>-</u>	<u>37,439</u>	<u>37,439</u>
Net changes in fund balance	\$ (205,143)	\$ (2,105,143)	\$ (45,713)	\$ <u>2,059,430</u>
Prior year fund balance budget basis	\$ <u>2,339,243</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS) BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest	\$ 12,500	\$ 12,500	\$ 9,957	\$ (2,543)
Grant revenue	-	-	<u>291,349</u>	<u>291,349</u>
Total revenues	<u>12,500</u>	<u>12,500</u>	<u>301,306</u>	<u>288,806</u>
Expenditures				
Bond issuance costs	-	-	36,642	(36,642)
Capital projects and related costs	<u>4,158,754</u>	<u>6,658,754</u>	<u>2,261,242</u>	<u>4,397,512</u>
Total expenditures	<u>4,158,754</u>	<u>6,658,754</u>	<u>2,297,884</u>	<u>4,360,870</u>
Deficiency of revenues over expenditures	(4,146,254)	(6,646,254)	(1,996,578)	4,649,676
Other Financing Sources				
Bond proceeds	-	<u>2,500,000</u>	<u>2,500,000</u>	-
Net changes in fund balance	\$ (4,146,254)	\$ (4,146,254)	\$ <u>503,422</u>	\$ <u>4,649,676</u>
Prior year fund balance budget basis	\$ <u>4,123,741</u>			

See accompanying notes to financial statements.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF CASH ACCOUNT
JUNE 30, 2011

WELLS FARGO BANK NM, NA

Balance per bank

Checking
\$ 329,060

Less: FDIC coverage

(329,060)

Total uninsured public funds

\$ -

Reconciliation to financial statements:

Checking account balance

\$ 235,007

Petty cash

200

Reconciled cash balance per financial statements

\$ 235,207

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2011

JPA # 09-21

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

RESPONSIBLE PARTY FOR OPERATIONS: Town of Bernalillo

DESCRIPTION: Plan, design, and construct needed flood control and drainage improvements in Calle Baack in the Town of Bernalillo

EFFECTIVE DATES: November 17, 2009 until project completion or two years from effective date, whichever comes first.

PROJECT COSTS: Total estimated amount of project: \$ 200,000
Total estimated amount to be contributed by SSCAFCA: \$ 100,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): none

AUDIT RESPONSIBILITY: Town of Bernalillo

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES ARE REPORTED: Town of Bernalillo

JPA # 10-32

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

RESPONSIBLE PARTY FOR OPERATIONS: Village of Corrales

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

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

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

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

AUDIT RESPONSIBILITY: Village of Corrales

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

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2011

JPA # 11-09

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

RESPONSIBLE PARTY FOR OPERATIONS: Rio Rancho Public Schools

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

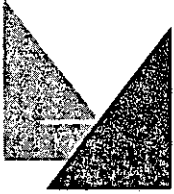
EFFECTIVE DATES: June 24, 2011 until project completion or four years from effective date, whichever comes first.

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

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR (SSCAFCA): none

AUDIT RESPONSIBILITY: Rio Rancho Public Schools

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



MACKIE, REID &
COMPANY, PA

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities and each major fund, the budgetary comparisons of the general fund, and the budgetary comparisons of the capital projects fund and the debt service fund presented as supplemental information of Southern Sandoval County Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 *significant deficiency* is a deficiency, or 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. 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. We consider the deficiency (11-1) described in the accompanying schedule of findings and responses to be a material weakness.

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.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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

Mackie, Reid & Company
Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
November 14, 2011

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Prior Year Finding Reported, Not Repeated

10-1 Budget Adjustment Request for Bond Refunding

Current Year Findings

11-1 Capitalization procedures (material weakness)

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Current Year Findings

11-1 Capitalization procedures (material weakness)

Condition:

The asset capitalization procedures of the Authority did not include procedures to identify intangible assets in accordance with the newly issued GASB statement 51, *Accounting and Financial Reporting for Intangible Assets* which was effective for your financial reporting period commencing July 1, 2009.

Criteria:

GASB Statement 51 defines intangible assets as an asset that is identifiable (either capable of being separated from the government or arising from contractual or other legal rights), lacks physical substance, is nonfinancial in nature, and has a useful life extending beyond a single reporting period.

Effect:

Upon application of the above criteria, the Authority had determined that certain expenditures in the prior year had met the definition of intangible assets. Upon further analysis during the year ended June 30, 2011 it was determined that additional expenditures relating to specific asset drainage plans qualify as intangible assets. As a result, a prior period restatement was required for the prior year expenditures.

Cause:

The Authority had not evaluated certain expenditures to determine if they met the criteria of GASB Statement 51.

Recommendation:

We recommend the Authority continue to use the criteria in GASB Statement 51 to determine which expenditures should be capitalized as intangibles.

Response:

The Authority concurs with the Auditor's recommendation and has developed internal procedures to evaluate all task orders as they are issued to determine whether they meet the criteria of an intangible asset. If identified as such, those projects will be tracked and capitalized accordingly.

STATE OF NEW MEXICO
SOUTHERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY
JUNE 30, 2011

An exit conference was held on November 21, 2011, and the contents of this report were discussed. Present at the conference were:

James F. Fahey, Jr.	Treasurer
Charles Thomas, P.E.	Executive Engineer
Debbie Casaus, CPA	Fiscal Services Director
Sandra Parker	Accountant
Jim Van Der Geest, CPA	Independent Auditor
Annette Gruber	Independent Auditor

Financial Statement Preparation

The Authority's financial statements were prepared substantially by the independent auditor, Mackie, Reid & Company, PA.