

**STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY**

Annual Financial Report  
For the Year Ended June 30, 2013  
(With Independent Auditors' Report Thereon)

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 June 30, 2013

Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	iii
Official Roster	iv
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
 <b>Basic Financial Statements</b>	
 <b>Government-Wide Financial Statements:</b>	
Statement of Net Position	9
Statement of Activities	10
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Government- Wide Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
 <b>Major Governmental Funds:</b>	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Budget and Actual – General Fund	15
 <b>Notes to Financial Statements</b>	
 <b>Other Supplemental Information:</b>	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Budget and Actual – Capital Projects Fund	26
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Budget and Actual – Debt Service Fund	27
Schedule of Cash Account and Pledged Collateral	28
Schedule of Joint Powers Agreement	29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Schedule of Findings and Responses	32
Financial Statement Preparation and Exit Conference	33

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Official Roster  
as of June 30, 2013

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Salvador Reyes	Chairman
Jack Torres	Vice Chairman, Treasurer
Wayne Sandoval (July 1, 2012 – December 2012)	Director
Ben Beck (May 1, 2013 – Present)	Director

ADMINISTRATIVE OFFICIALS

Michael Castillo (July 1, 2012 – October 2, 2012)	Executive Engineer
Larry Blair (October 2, 2012 – June 30, 2013)	Executive Engineer
Selena Waybenais, Kubiak & Melton, LLC	Accountant

FINANCIAL SECTION



# Burt & Company CPAs, LLC

*Accounting, Tax, & Financial Advisors*

Ronald E. Schranz, CPA, CVA  
Robert D. Austin, CPA, CVA

Dennis R. Burt, CPA, CVA  
Elizabeth A. Farr, CPA, CVA  
Matthew Pacheco, CPA  
Robert M. Santiago, CPA  
Sherry Lynn Schulz, CPA, MAFF  
Cheryl D. Silcox, CPA, CITP  
Panda Townsend, CPA  
Carol M. Wilkens, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
State of New Mexico, Eastern Sandoval County  
Arroyo Flood Control Authority

And

Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, 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 the State of New Mexico, Eastern Sandoval County Arroyo Flood Control Authority (ESCAFCA or the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, as listed in the table of contents. We also have audited the budgetary comparisons for the major capital projects fund and debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 *Governmental 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 from 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

State of New Mexico, Eastern Sandoval County  
Arroyo Flood Control Authority

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, each major fund, of the Authority, as of June 30, 2013, and the respective changes in financial position and where applicable cashflows thereof, and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, as of June 30, 2013, the respective budgetary comparisons for the major capital project fund and debt service fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 Authority's basic financial statements and the budgetary comparisons. The additional schedule listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information are 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 basic 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

State of New Mexico, Eastern Sandoval County  
Arroyo Flood Control Authority

accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance."

  
Burt & Company CPAs, LLC

November 22, 2013

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Management's Discussion and Analysis  
June 30, 2013

CURRENT YEAR ACTIVITIES

Fiscal Year (FY) 2013 was the fifth year of ESCAFCA's operation, and was marked by the substantial completion of the first two flood control projects and initiation of a third, the Rio Grande levee, in spite of severe operational budget constraints.

Two projects were let out for competitive bids in the fall of 2012: South Hill Pond; and the Athena Pond and Collection System. South Hill pond is being constructed by CBKN Dirtworks for \$285,314, and Athena pond is being built by Salls Brothers, Inc. at an estimated final cost of \$1,105,978. It was substantially complete by June, 2013, in time for "flood season"; however, added work (lighting, walking trail, seeding change), and difficulties getting grass to grow have delayed final completion until summer of 2014.

In August and September, 2012, respectively, ESCAFCA signed 50-50 cost-share agreements with the Army Corps of Engineers to begin studies of the Rio Grande levee. The first was a geotechnical analysis of the existing spoil bank levee to ascertain its composition and competence to withstand flood flows. The study, completed in July, cost \$250,000, of which ESCAFCA paid half. The study concluded that the levee needs to be replaced.

The second agreement called for ESCAFCA to cost-share in a \$900,000 Section 205 Feasibility Study. ESCAFCA's initial payment was \$54,000 to get the study started. (Note: In the fall of 2013, ESCAFCA arranged to transfer sponsorship of the Corps project to the Middle Rio Grande Conservancy District (MRGCD), subject to an additional ESCAFCA contribution of \$70,000).

ESCAFCA continued to work on preliminary design of two other flood control ponds, and long range planning of other facilities.

Severe operational budget limits continued during FY 2013. The exodus of all areas east of I-25 left the remaining taxable jurisdiction to Bernalillo and Algodones. Nonetheless, in July, 2012, the Board held the mill levy for Debt Service to 2.202 mills, and for Operations at 0.66 mills. Also in July, one candidate filed for election in District Three—Jack Torres. No one filed for District One. In July, the Board also approved the FY 2013 budgets, and sent them to DFA for approval.

In October 2012, Executive Engineer Mike Castillo resigned, and Larry Blair, already under contract, took over those duties.

In November, Jack Torres was elected to a four-year term. December was the last month for Director Wayne Sandoval, who became ineligible to run because he lives outside the "new" district. This left a vacancy on the Board.

In January 2013, the audit was submitted to the State Auditor, and five on-call engineering contracts were approved.

In February, 2013, a Reorganization Plan was adopted by the Board to provide a long range organizational structure. US Bank was selected for another 4-year contract.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Management's Discussion and Analysis (continued)  
June 30, 2013

In March 2013, ESCAFCA was issued an unqualified opinion on the FY 2012 audit report. An analysis of costs revealed that about 40% of Executive Engineer and Legal costs were being expended on projects, thus verifying that ESCAFCA Resolution 2012-02, which allows a 23% annual transfer from the Project budget to the Operations budget, is valid. This will be reviewed periodically.

No one ran for the position in District One, therefore in May 2013, Governor Martinez appointed Mr. Ben Beck to fill the Board vacancy which opened in January 2013, and he was sworn in for a six year term. The preliminary 2014 budget was approved by the Board, which also approved tax levies of 1.00 mills for Debt service, and 0.66 for operations.

In June 2013, the Board approved Burt and Company for the annual audit, and renewed contracts for its administrative, accounting, and website services.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Eastern Sandoval County Arroyo Flood Control Authority's (The Authority or ESCAFCA) financial statements. The financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Authority has three major funds.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving. The statement of activities presents information showing how the Authority's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has one general fund, the capital projects fund, and the debt service fund. Budgetary comparison statements have been provided to demonstrate compliance with the budgets.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Management's Discussion and Analysis (continued)  
 June 30, 2013

FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial information in condensed format comparing fiscal year ending June 30, 2013 (FY 13) with the prior fiscal year ending June 30, 2012 (FY 12) appears in the tables below:

<u>Statement of Net Position</u>	<u>2013</u>	<u>2012</u>
Net Position:		
Cash	\$ 2,464,275	3,179,432
Ad valorem assessments receivable	130,187	149,666
Assets held in trust	1,855,587	3,000,845
Bond issue cost, net	57,516	64,778
Construction in progress	<u>1,990,150</u>	<u>347,974</u>
Total net position	<u>\$ 6,497,715</u>	<u>6,742,695</u>
Liabilities:		
Accounts payable	\$ 10,234	39,980
Accrued interest payable	38,854	42,804
Bonds payable		
Portion due within one year	775,000	755,000
Portion due after one year	<u>2,970,000</u>	<u>3,745,000</u>
Total liabilities	3,794,088	4,582,784
Net investment in capital assets		
Restricted:		
For capital projects	2,246,699	2,440,202
For debt service	294,772	(464,723)
Unrestricted	<u>162,156</u>	<u>184,432</u>
Total net position	<u>\$ 2,703,627</u>	<u>2,159,911</u>

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Management's Discussion and Analysis (continued)  
 June 30, 2013

FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

<u>Statement of Activities</u>	<u>2013</u>	<u>2012</u>
Program expenses:		
Public works:		
General and administrative expenses	\$ 12,917	25,174
Planning and engineering	186,870	96,624
Contractual operating and maintenance costs	85,622	232,522
Bond amortization	7,262	4,950
Election expenses	11,841	10,692
Interest	118,541	111,222
Total program expenses	<u>423,053</u>	<u>481,184</u>
General revenues:		
Ad valorem assessments	964,920	1,140,846
Grants	-	16,165
Interest income	1,849	929
Total general revenues	<u>966,769</u>	<u>1,157,940</u>
Increase in net position	<u>543,716</u>	<u>676,756</u>
Net position, beginning of year, as previously stated	2,159,911	1,512,711
Prior period restatement	-	(29,556)
Net position beginning of year, as restated	<u>-</u>	<u>1,483,155</u>
Net position, end of year	<u>\$ 2,703,627</u>	<u>2,159,911</u>

During the 2013 fiscal year, proceeds from the two bonds issued in prior years were used for various project evaluations and determinations, and other studies for drainage, etc. as stated above. Property taxes were collected by the Sandoval County Treasurer, and distributed to the Authority. The Sandoval County Treasurer assesses a 1% distribution fee to the Authority for collection and payment costs. Taxes are distributed to the Operating fund for the operating budget, while the other portion is distributed to the Debt Service Fund for bond interest and principal payments. These amounts are calculated to cover the budgets for both funds during the year. Revenues in excess of expenditures remain in the fund to be carried over to the next year. The Capital Projects fund expenditures will either be expensed, if not related directly to a project, or capitalized as construction-in-progress until the work is completed.

Expenditures for the General (Operating) fund were comprised mainly of office expenses, governmental affairs and professional contractors. The Authority has established a physical presence, located in a small office in the Town of Bernalillo City Hall, to conduct official business and to house permanent records as required by law. Public office hours are posted and kept. A Consultant Executive

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Management's Discussion and Analysis (continued)  
June 30, 2013

Engineer and Accountant conduct daily operations for ESCAFCA. In a continued effort to operate as cost effectively and efficiently as possible, the public relations function has been discontinued and no permanent employees have been hired to avoid payroll and payroll related costs.

The Board meets monthly in the Town of Bernalillo Council Chambers, or other public venues as necessary. There were no capital assets acquired and most expenditures were repetitive in nature.

#### FUND LEVEL ACTIVITY

Revenues for the General fund consisted of property tax deposits, and small interest generated by the cash deposits into the bank account. It is noted that Operating fund revenue will be severely reduced because of the secession of all areas east of I-25 (some 60% of the original ESCAFCA area).

Expenditures for the Projects fund included contract engineering costs for planning and coordination of future projects to mitigate flooding, and design and other activities leading to construction of two projects in the Town of Bernalillo. Revenues consisted of interest generated by the cash in bank from the prior year bond proceeds.

Revenues in the Debt Service fund were realized from the tax deposits generated by the property taxes assessed against land owners. Debt Service revenue will be reduced as debt is reduced. The legislation passed in HB306 requires all Debt Service to continue to be paid by residents of the original ESCAFCA area.

The annual interest payments were made in August 2012 in the amount of \$64,205, and in February 2013 in the amount of \$58,289. The annual principal payment was made in August of 2012 in the amount of \$755,000. Tax distribution fees amounted to \$8,962, and the Fiscal Agent Fee was \$300 for the year. The year end balance was sufficient to cover the FY14 interest payment in the amount of \$109,783 and principal payment in the amount of \$775,000 made in August of 2013.

The Authority deposits all monies into the U.S. Bank in Bernalillo, New Mexico. Collateralization requirements have been followed by U. S. Bank.

#### BUDGETARY PERFORMANCE

Operationally, ESCFCA made a significant reduction in its costs. The FY 2013 expenditure budget had been set at \$215,000. The end-of-year actual was \$110,930, or 52%, reflecting the tight control over operational costs by the Board of Directors.

#### PLANS FOR FUTURE ACTIVITIES

The near completion of two projects in averting flooding encouraged ESCAFCA to continue its quest to build more facilities to protect from flooding. Possibilities for further flood control projects in Bernalillo and Algodones are being constantly explored.

Due to severe reduction in General fund revenue, the Authority will continue to closely review its operation budget and procedures in FY 2014.

## BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Statement of Net Position  
 June 30, 2013

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash	\$ 2,464,275
Receivable: Ad valorem assessments	130,187
Assets held in trust	1,855,587
Bond issue costs, net of accumulated amortization	57,516
Construction in progress	<u>1,990,150</u>
Total assets	<u>\$ 6,497,715</u>
<b>Liabilities:</b>	
Accounts payable	\$ 10,234
Accrued interest payable	38,854
General obligation bonds payable:	
Portion due within one year	775,000
Portion due after one year	<u>2,970,000</u>
Total liabilities	3,794,088
<b>Net Position:</b>	
Net investment in capital assets	-
Restricted:	
For capital projects	2,246,699
For debt service	294,772
Unrestricted	<u>162,156</u>
Total net position	<u>\$ 2,703,627</u>

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Statement of Activities  
 For the Year Ended June 30, 2013

	<u>Governmental Activities</u>
Program expenses:	
Public Works:	
Planning and engineering	\$ 186,870
General and administrative expenses	12,917
Contractual operating and maintenance services	85,622
Bond amortization	7,262
Election expenses	11,841
Interest	<u>118,541</u>
Total program expenses	423,053
General revenues:	
Ad valorem assessments	964,920
Interest income	<u>1,849</u>
Total general revenues	<u>966,769</u>
Increase in net position	543,716
Net position, beginning of year	<u>2,159,911</u>
Net position, end of year	<u>\$ 2,703,627</u>

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Govern- mental Funds
<b>Assets:</b>				
Cash	\$ 148,117	1,345,861	970,297	2,464,275
<b>Receivables:</b>				
Ad valorem assessments	21,752	-	108,435	130,187
Due from other funds	12,584	-	-	12,584
Assets held in trust	-	1,855,587	-	1,855,587
Total assets	\$ 182,453	3,201,448	1,078,732	4,462,633
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,719	2,515	-	10,234
Due to other funds	-	12,584	-	12,584
Deferred revenue	48,852	-	87,321	136,173
Total liabilities	56,571	15,099	87,321	158,991
<b>Fund balances:</b>				
Restricted for debt service	-	-	991,411	991,411
Restricted for capital projects	-	3,186,349	-	3,186,349
Restricted for operations	125,882	-	-	125,882
Total fund balances	125,882	3,186,349	991,411	4,303,642
Total liabilities and fund balances	\$ 182,453	3,201,448	1,078,732	4,462,633

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Government-Wide Statement of Net Position  
 June 30, 2013

Total fund balances - governmental funds (Balance Sheet) \$ 4,303,642

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds 1,990,150

Delinquent ad valorem assessments receivable are not available to pay current period expenditures and, therefore, are reported as deferred revenues in the fund financial statements. 136,173

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	(3,745,000)	
Accrued interest payable	<u>(38,854)</u>	
Total liabilities		(3,783,854)

Bond issue costs are expensed in the period expended for fund financial statements but are capitalized for governmental activities 57,516

Total net position (Statement of Net Position) \$ 2,703,627

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

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2013

	Major Funds			Total Govern- mental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Revenues:				
Ad valorem assessments	\$ 85,027	-	896,183	981,210
Interest income	-	1,849	-	1,849
Total revenues	<u>85,027</u>	<u>1,849</u>	<u>896,183</u>	<u>983,059</u>
Expenditures:				
Current:				
General government	99,897	1,830,266	9,262	1,939,425
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	755,000	755,000
Interest	-	-	122,493	122,493
Total expenditures	<u>99,897</u>	<u>1,830,266</u>	<u>886,755</u>	<u>2,816,918</u>
Excess (deficiency) of revenues over expenditures	(14,870)	(1,828,417)	9,428	(1,833,859)
Other financing sources (uses):				
Transfers from (to) other funds	<u>12,584</u>	<u>(12,584)</u>	-	-
Total other financing sources	<u>12,584</u>	<u>(12,584)</u>	-	-
Net change in fund balances	(2,286)	(1,841,001)	9,428	(1,833,859)
Fund balances, beginning of year	<u>128,168</u>	<u>5,027,350</u>	<u>981,983</u>	<u>6,137,501</u>
Fund balances, end of year	\$ <u>125,882</u>	<u>3,186,349</u>	<u>991,411</u>	<u>4,303,642</u>

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balance of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2013

Net change in fund balances - governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (1,833,859)
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 these costs are capitalized.	1,654,759
Governmental funds do not report the net change in accrued interest payable.	3,952
Delinquent property taxes receivable are not available financial resources and therefore are reported as deferred revenue in the fund financial statements.	(16,290)
Current year bond payments are reported as an expense in the fund financial statements but applied against debt in the statement of activities.	755,000
Interfund activity is eliminated in th statement of activities.	(12,584)
Bond issuance costs are not amortized for fund financial statements purposes but are for governmental activities - current year amortization.	<u>(7,262)</u>
Increase in net position of governmental activities (Statement of Activities)	\$ <u>543,716</u>

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

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
Budget and Actual – General Fund  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem assessments	\$ 71,844	71,844	81,603	9,759
Interest income	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Total revenues	<u>72,144</u>	<u>72,144</u>	<u>81,603</u>	<u>9,459</u>
Expenditures:				
General government	<u>214,998</u>	<u>214,998</u>	<u>110,929</u>	<u>104,069</u>
Total expenditures	<u>214,998</u>	<u>214,998</u>	<u>110,929</u>	<u>104,069</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	<u>(142,854)</u>	<u>(142,854)</u>	<u>(29,326)</u>	<u>113,528</u>
Other-financing sources and uses:				
Transfers from other funds	<u>27,950</u>	<u>27,950</u>	<u>12,584</u>	<u>(15,366)</u>
Total other financing sources and uses	<u>27,950</u>	<u>27,950</u>	<u>12,584</u>	<u>(15,366)</u>
Net change in fund balance	<u>(114,904)</u>	<u>(114,904)</u>	<u>(16,742)</u>	<u>98,162</u>
Prior-year cash balance required to balance budget	\$ <u>114,904</u>	<u>114,904</u>		
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 85,027	
Adjustments:				
Add: Prior year accounts receivable			30,912	
Less: Current year accounts receivable			<u>(34,336)</u>	
Budget basis revenue			\$ <u>81,603</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 99,897	
Adjustments:				
Add: Prior year accounts payable			18,753	
Less: Current year accounts payable			<u>(7,721)</u>	
Budget basis expenditures			\$ <u>110,929</u>	

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

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements  
June 30, 2013

1. History and Functions

The State of New Mexico Eastern Sandoval County Arroyo Flood Control Authority (ESCAFCA or Authority) was created by the Eastern Sandoval County Arroyo Flood Control Act of 2007 (the Act) and is governed by such New Mexico law created there under designated as 72-20-1 to 72-20-103 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 with Eastern Sandoval County, New Mexico. The Act provides for the organization of 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 relations 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 financial statements of the State of New Mexico, Eastern Sandoval County Arroyo Flood Control Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to the government-wide financial statements, unless they conflict with GASB pronouncements. The more significant of the Authority's accounting policies are described below:

A. Reporting Entity

The Authority's basic financial statements include the accounts of all Authority operations for which the Board of Directors are financially accountable. The Authority does not have any component units.

B. Basic Financial Statements - Government-Wide Statements

The Authority's basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Authority is a single purpose government entity and has no business type activities or fiduciary funds. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts: invested in capital assets, net of related debt, restricted net position and unrestricted net position. When applicable, the effect of inter-fund activity between two funds is removed from the Statement of Net Position in order to avoid a grossing-up effect on the assets and liabilities within the statement.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements - Government-Wide Statements (continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government), which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense by related general revenues. General revenues include: 1) ad valorem assessments, and 2) interest income. 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 33. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

Restricted net positions are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net positions not otherwise classified as restricted, are shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

C. Basic Financial Statements - Fund Financial Statements

The fund financial statements emphasis is on the major funds of the governmental category. The GASB 34 reporting model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Authority, at its discretion, may elect to present a fund as a major fund, and has elected to present all three of its funds, the General fund, the Capital Project fund, and the Debt Service fund, as major funds. There are no non-major funds.

The financial transactions of the Authority are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

C. Basic Financial Statements - Fund Financial Statements (continued)

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Governmental funds present a summary of sources and uses of available spendable resources during a period and are on the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted, however, the Authority uses the cash basis for their budgeting. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Revenues are recognized as soon as they are both measurable and available. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures of fund liabilities.

The Authority uses the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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.

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

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

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

The governmental funds in the fund financial statements are presented on a current financial resource focus using the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. Revenues are available if collected within thirty days of the end of the fiscal year. All other revenues are recognized when they are received and are not susceptible to accrual.

E. 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 the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a cash basis. The Authority submits a proposed budget to DFA for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

To meet legal compliance actual expenditures cannot exceed the total budgeted expenditures for the fund on a cash basis. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". The Authority does not use encumbrances.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

The budget is prepared on the cash basis, which differs from GAAP. Budgetary comparisons presented in these financial statements are on this Non-GAAP budgetary basis. The legal level of budgetary control is at the fund level; the Authority had expenditures in excess of budget for its debt service fund.

In accordance with the requirements of Section 2.2.2.10.A (2) (b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statements for the general fund has been included as part of the basic financial statements.

F. Fund Balance Classifications

Fund Balances in the governmental fund statements are classified as follows:

Restricted - amounts that have constraints placed on the use of the resources either by external sources such as creditors, grantor, contributors, laws or regulations, or by enabling legislation.

Committed – amounts that have constraints placed on the user of the resources by formal action of the government’s highest level of decision making authority, which is the board of directors. The Authority does not currently have any committed fund balances.

Assigned – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The Authority does not currently have a policy in place to determine assigned fund balances.

Unassigned – represents amounts that do not meet the definition of restricted, committed, or assigned.

The Authority does not currently have a policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those classifications could be used.

G. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

G. Net Position (continued)

Investment in Capital Assets - is intended to reflect the portion of net position, which is associated with non-liquid, capital assets.

Restricted Assets - are liquid assets, which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use.

Unrestricted Assets - represent unrestricted liquid assets.

The Authority allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

H. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Collateral

Cash at June 30, 2013 represents amounts deposited in commercial bank accounts.

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 and 6-10-17, 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.

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.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

3. Cash and Collateral (continued)

At June 30, 2013, the carrying amount of the Authority's cash deposits was \$2,464,275. The bank balance was \$2,465,336. Of the bank balance, 100% was covered by securities held by the pledging financial institution's trust department.

4. Assets Held in Trust

During the year ending June 30, 2012, the Authority issued its second series of general obligation bonds. Subsequent to issuance, the bonds were purchased by the New Mexico Finance Authority (NMFA) from RBC Capital, the original bond holder. The proceeds of the bonds were transferred to the Bank of New York in NMFA's name on behalf of the Authority, and are to be drawn down incrementally by the Authority via drawdown requests to the NMFA. As the funds are in the name of the NMFA, a third party trustee, they are considered to be assets held in trust and amounted to \$1,855,587 at June 30, 2013.

5. Bond Issuance Costs

Bond issuance costs of \$78,338 represent amounts capitalized related to the issuance of debt. Accumulated amortization of \$20,822 has been recognized to date. Amortization in the amount of \$7,262 was recognized in the current year.

6. Construction in Progress

Construction in Progress represents capitalized project costs in the amount of \$1,990,150 for infrastructure projects that were not placed in service at June 30, 2013.

7. Restricted Net Position

The government-wide statement of net position reports the following balances in the respective classifications of net position:

Restricted for Capital Projects – represents net position which is restricted to use for capital projects, which amounted to \$2,246,699 at year end.

Restricted for Debt Service – represents net position which is restricted to use for debt service, which amounted to \$294,772 at year end.

Unrestricted – represents net position which has no legal or other restrictions, which amounted to \$162,156 at year end.

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Notes to Financial Statements (continued)  
 June 30, 2013

8. 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 a receivable and revenue, with 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. Adjustments made to assessments by the New Mexico Sandoval County Treasurer are recorded as a contra revenue account on a full accrual basis and are recognized in the year the assessments are adjusted; an amount of \$19,040 was recorded in FY 2013 for adjusted assessments.

For the year ended June 30, 2013, the ad valorem assessments levied by the Authority were \$.66 and \$2.20 per \$1,000 of taxable value for operating purposes and debt service requirements, respectively. Section 7-37-7.1 NMSA 1978 limits the allowable increase in property taxes from the preceding year. Lien rights are available to the Authority on all delinquent ad valorem assessments. Liens are placed on delinquent properties on July 15<sup>th</sup>, three years after the original assessment.

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, 2013 is attributable to ad valorem assessments in the amount of \$136,173.

10. Long-Term Liabilities

The following changes occurred in long-term liabilities during the fiscal year ended June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>
General Obligation Bonds				
Payable:				
Portion due within one year	\$ 755,000	775,000	755,000	775,000
Portion due after one year	<u>3,745,000</u>	<u>-</u>	<u>775,000</u>	<u>2,970,000</u>
	<u>\$ 4,500,000</u>	<u>775,000</u>	<u>1,530,000</u>	<u>3,745,000</u>

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Notes to Financial Statements (continued)  
 June 30, 2013

10. Long-Term Liabilities (continued)

General obligation bonds are paid by the debt service fund.

The Authority has the following general obligation bonds payable as of June 30, 2013:

Series 2009 - RBC Capital

\$3,000,000, issued June 2009, with variable interest from 3.04% to 5.38% paid semi-annually in February and August, principal payments are due annually commencing August 1, 2010, maturing August 1, 2019.

\$ 1,300,000

Series 2011 - New Mexico Finance Authority

\$3,000,000 issued in October 2011, with variable interest from .72% to 3.11% paid semi-annually in February and August, principal payments are due annually commencing August 1, 2012, and maturing August 1, 2023.

\$ 2,445,000

Interest expense on the above bonds was \$118,549 as of June 30, 2013. The Authority has pledged ad valorem assessment revenues for repayment of the above bonds.

Debt service requirements to maturity are as follows:

Due in Year Ending June 30,	Principal	Interest
2014	\$ 775,000	109,783
2015-2019	1,550,000	384,923
2020-2024	<u>1,420,000</u>	<u>107,893</u>
	<u>\$ 3,745,000</u>	<u>602,599</u>

11. Office Space

The Authority uses office space that was donated by the Town of Bernalillo.

12. Other Financing Services (Uses)/Interfund Balances

A transfer to subsidize the operations of the general fund from the capital project fund in the amount of \$12,584 occurred near yearend and is reported as a due to/due from in the fund financial statements.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Notes to Financial Statements (continued)  
June 30, 2013

13. 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 did not have an insurance policy in place during the year to address these types of risks as it had no employees or capital assets. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

14. Related Party Transactions

During the year ended June 30, 2013, the Authority paid members of the Board of Directors per diem totaling \$7,970 and had \$3,135 payable to board members at June 30, 2013.

15. Commitments and Contingencies

At June 30, 2013, contracts were in progress on the Authority's infrastructure projects. These contracts are related to planning, design, and construction.

16. Joint Powers Agreements

During FY 2013, the Authority entered into cost sharing agreements with the Army Corps of Engineers for the purpose of conducting geotechnical and section 205 feasibility studies of the Rio Grande levee. The Authority paid \$179,000 toward these projects in 2013. These payments were based on estimates of total project costs provided by the Army Corps of Engineers.

17. Subsequent Events

In September of 2013, the Army Corps of Engineers reimbursed the Authority an amount of \$21,728 related to the geotechnical study; the total costs of the study were less than the estimated amount paid in FY 2013. The Authority did not anticipate this transaction and had no way of knowing that the total costs would be less than the estimate.

The Authority has evaluated subsequent events through November 22, 2013, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
Budget and Actual – Capital Projects Fund  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem assessments	\$ -	-	-	-
Grants	-	-	-	-
Interest income	<u>2,500</u>	<u>2,500</u>	<u>1,849</u>	<u>(651)</u>
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,849</u>	<u>(651)</u>
Expenditures				
General government	3,230,000	3,230,000	1,848,978	1,381,022
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,230,000</u>	<u>3,230,000</u>	<u>1,848,978</u>	<u>1,381,022</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	<u>(3,227,500)</u>	<u>(3,227,500)</u>	<u>(1,847,129)</u>	<u>1,380,371</u>
Other-financing sources and uses:				
Transfers to other funds	27,950	27,950	(12,584)	(12,584)
Proceeds from bond sale	<u>3,000,845</u>	<u>3,000,845</u>	<u>-</u>	<u>(3,000,845)</u>
Total other financing sources and uses	<u>3,028,795</u>	<u>3,028,795</u>	<u>(12,584)</u>	<u>(3,013,429)</u>
Net change in fund balance	<u>(198,705)</u>	<u>(198,705)</u>	<u>(1,859,713)</u>	<u>(1,633,058)</u>
Prior-year cash balance required to balance budget	\$ <u>198,705</u>	<u>198,705</u>		
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 1,849	
Adjustments:				
Add: Prior year accounts receivable			-	
Less: Current year accounts receivable			<u>-</u>	
Budget basis revenue			<u>\$ 1,849</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,830,266	
Adjustments:				
Add: Prior year accounts payable			21,227	
Less: Current year accounts payable			<u>(2,515)</u>	
Less: Capitalized project cost			-	
Less: Bond issue costs, net			<u>-</u>	
Budget basis expenditures			<u>\$ 1,848,978</u>	

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

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)  
Budget and Actual – Debt Service Fund  
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Ad valorem assessments	\$ 869,102	869,102	906,502	37,400
Interest income	23	23	-	(23)
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>869,125</u>	<u>869,125</u>	<u>906,502</u>	<u>37,377</u>
Expenditures				
General government	8,991	8,991	9,262	(271)
Debt service:				
Principal payments	755,000	755,000	755,000	-
Interest	<u>122,494</u>	<u>122,494</u>	<u>122,493</u>	<u>1</u>
Total expenditures	<u>886,485</u>	<u>886,485</u>	<u>886,755</u>	<u>(270)</u>
Net change in fund balance	<u>(17,360)</u>	<u>(17,360)</u>	<u>19,747</u>	<u>37,107</u>
Prior-year cash balance required to balance budget	\$ <u>17,360</u>	<u>17,360</u>		
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 896,183	
Adjustments:				
Add: Prior year accounts receivable			118,754	
Less: Current year accounts receivable			<u>(108,435)</u>	
Budget basis revenue			\$ <u>906,502</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 886,755	
Adjustments: None			<u>-</u>	
Budget basis expenditures			\$ <u>886,755</u>	

See finding #2013-02 for finding related to over expenditure of budgeted amount.

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Schedule of Cash Account and Pledged Collateral  
 June 30, 2013

CASH:

		US Bank
Deposits at June 30, 2013	\$	2,465,336
Less: FDIC coverage		<u>250,000</u>
Uninsured public funds	\$	<u>2,215,336</u>
Pledged collateral held by the pledging bank's trust department or agent but not in the Authority's name		<u>2,215,336</u>
Uninsured and uncollateralized	\$	-
50% pledged collateral requirement per statute		1,107,668
Total pledged collateral		<u>2,215,336</u>
Pledged collateral over the requirement	\$	<u>1,107,668</u>

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

STATE OF NEW MEXICO  
 EASTERN SANDOVAL COUNTY  
 ARROYO FLOOD CONTROL AUTHORITY  
 Schedule of Joint Powers Agreement  
 June 30, 2013

- |    |   |  |
|----|---|--|
| 1) | Joint Power Agreement:                                | Rio Grande Levee Geotechnical study  |
|    | Participants:   | ESCAFCA and the Department of the Army   |
|    | Responsible Party:                                    | Department of the Army   |
|    | Description:  | During FY 2013, the Authority entered into a cost sharing agreement with the Army Corps of Engineers for the purpose of conducting a geotechnical study of the Rio Grande Levee. |
|    | Beginning and Ending Dates:                           | August 24, 2012 - June 30, 2013  |
|    | Total estimated project amount applicable to ESCAFCA: | \$125,000  |
|    | Amount contributed by ESCAFCA during fiscal year:     | \$125,000  |
|    | Audit Responsibility:                                 | ESCAFCA  |
|    | Fiscal agent and responsible reporting agency:        | Department of the Army   |
|    |   |  |
| 2) | Joint Power Agreement:                                | Rio Grande Levee Feasibility study   |
|    | Participants:   | ESCAFCA and the Department of the Army   |
|    | Responsible Party:                                    | Department of the Army   |
|    | Description:  | During FY 2013, the Authority entered into a cost sharing agreement with the Army Corps of Engineers for the purpose of conducting a feasibility study of the Rio Grande Levee.  |
|    | Beginning and Ending Dates:                           | September 2012 - until completion  |
|    | Total estimated project amount applicable to ESCAFCA: | \$900,000  |
|    | Amount contributed by ESCAFCA during fiscal year:     | \$54,000   |
|    | Audit Responsibility:                                 | ESCAFCA  |
|    | Fiscal agent and responsible reporting agency:        | Department of the Army   |

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

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**

To the Board of Directors of the  
State of New Mexico, Eastern Sandoval County  
Arroyo Flood Control Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, 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 related budgetary comparison of the general fund of the State of New Mexico, Eastern Sandoval County Arroyo Flood Control Authority (ESCAFCA or the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and related budgetary comparisons of the Authority, presented as supplemental information and have issued our report thereon dated November 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 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

State of New Mexico, Eastern Sandoval County  
Arroyo Flood Control Authority

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 from 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-01 and 2013-02.

### **The Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of finding. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Burt & Company CPAs, LLC

November 22, 2013

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY  
Schedule of Findings and Responses  
June 30, 2013

I. Prior-Year Audit Findings

- A. Finding #2011-3 – Account Reconciliation – Resolved
- B. Finding #2011-4 – Timeliness of Audit Report - Resolved

II. Current-Year Findings Pertaining to Compliance and Other Matters

A. Finding #2013-1 – Submission of Audit Contract (Other)

Condition: Selection of IPA and audit contract were not submitted to the State Auditor’s Office by the deadline for fiscal year ending 2013.

Criteria: Pursuant to 2.2.2.8(G)(6)(c) NMAC Audit Rule, the agency shall deliver the completed audit contract and recommendation to the State Auditor by the deadline for fiscal year ending 2013.

Cause: The process of selecting an audit firm was not completed by the filing deadline.

Effect: The Authority was out of compliance with State Audit Rule 2.2.2.8(G)(6)(c).

Recommendation: We recommend that future audit contracts are delivered to the State Auditor’s Office by the deadline as outlined in accordance with 2.2.2.8(G)(6)(c).

Agency Response: Noted. Management will submit recommendations by the required date of May 15, in future periods.

B. Finding # 2013-2 – Expenditures in Excess of Budget (Other)

Condition: The Authority over expended its budget in the debt service fund by \$271.

Criteria: Section 6-6-6 NMSA, 1978 requires that the Authority keep expenditures within the budgeted amounts.

Cause: Management underestimated the required amount of expenditures that would be incurred for this fund.

Effect: Improper monitoring of budgets can create over expenditure of approved amounts.

Recommendation: We recommend the Authority monitor budgets for all funds on an ongoing basis during the year to determine if budget adjustment requests are necessary in order to maintain budget compliance.

Agency Response: Noted. The Authority will follow the recommendation noted above.

STATE OF NEW MEXICO  
EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY

June 30, 2013

Financial Statement Preparation

The financial statements were substantially prepared by the auditor with the assistance of the Authority. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

Exit Conference

An exit conference was held on November 21, 2013, to discuss the audit. The following individuals were in attendance:

State of New Mexico – Eastern Sandoval County Arroyo Flood Control Authority

Larry Blair, Consultant  
Salvador Reyes, Board Chair

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA  
Robert M. Santiago, CPA  
Hayden Gaston