

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2014

EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

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ARROYO FLOOD CONTROL AUTHORITY

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EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

List of Principal Officials

June 30, 2014

Authority Board of Directors

Salvador Reyes	Chairman
Jack Torres	Vice Chairman and Treasurer
Ida Fiero	Secretary

Administrative Officials

Larry Blair	Executive Engineer
Danielle Welch	Administrator
Selena Waybenais, Kubiak & Melton, LLC	Accountant

Independent Auditor's Report

Mr. Hector H. Balderas, State Auditor, and
the Board of Directors
Eastern Sandoval County Arroyo Flood Control Authority
Bernalillo, 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 Eastern Sandoval County Arroyo Flood Control Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major capital projects and debt service funds presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Eastern Sandoval County Arroyo Flood Control Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, as of June 30, 2014, the respective budgetary comparisons for the major capital projects and debt service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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.

Other Information

Our audit was conducted for the purpose of forming opinions the Authority's financial statements and the budgetary comparisons. The schedules listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules 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 October 30, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Albuquerque, New Mexico
October 30, 2014

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

This *Management's Discussion & Analysis (MD&A)* is provided pursuant to the requirements of Statement 34 of the *Governmental Accounting Standards Board (GASB 34)*. The MD&A introduces the basic financial statements and provides an analytical overview of the organization's financial activities.

CURRENT YEAR ACTIVITIES

Fiscal Year (FY) 2014 was the sixth year of ESCAFCA's operation. The operational budget remained austere, reflecting the Board's guidance to keep costs under control, thus keeping the operations levy at 0.66 mills. The debt service levy dropped to less than one mill, as bonds were paid off.

Flood events in July and August, 2013, tested two new projects substantially completed during in the spring: Athena Pond; and South Hill Pond. Both projects performed at or above expectations, preventing flooding as they were intended to do. Nonetheless, Bernalillo experienced damaging floods exacerbated by failure of a temporary pond near Highway 550.

NMDOT had prohibited connecting the inlet channel to South Hill Pond to the NMDOT box culverts, resulting in some damage from the storms. This will result in modifications to the project.

Getting grass to grow in Athena Pond delayed acceptance until 2014, but the pond performed well during floods.

FEMA published new floodplain maps for Bernalillo in 2008, causing citizen complaints about having to pay flood insurance premiums. Responding to these complaints, the ESCAFCA Board had signed two agreements in 2012 with the Army Corps of Engineers leading to the reconstruction of the Rio Grande levee. However, arroyo flooding in the summer of 2013 was a reminder that ESCAFCA's primary mission was arroyo flood protection. This accelerated a Board decision to turn project sponsorship over to the Middle Rio Grande Conservancy District (MRGCD), which owns the existing Rio Grande spoilbank levee, and would ultimately become sponsor anyway.

In the fall of 2013, ESCAFCA arranged to transfer sponsorship of the Corps levee project to MRGCD, subject to an additional ESCAFCA contribution of \$70,000 to keep the project going. ESCAFCA's total contribution thus became \$227,000. The Town of Bernalillo also agreed to contribute \$10,000 to the turnover to MRGCD.

ESCAFCA continued to work on preliminary planning and design of other flood control projects, mainly the following:

- Canon Del Agua East, a co-operative project with Fisher Sand and Gravel.
- Canon Del Agua West, on private land west of I-25.
- Extension of the Athena Pond storm drain system.
- Mid Bernalillo Conveyance, a system to build ponds wherever possible, and use the Bernalillo Acequia to convey the flows to a future outfall to the Rio Grande.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

- A \$60,000 contribution to the Town of Bernalillo to improve the drainage along South Hill Road.
- Continued investigation of solutions for Algodones flooding.
- Modifications to South Hill Pond.

Severe operation budget limits continued. The exodus of all areas east of I-25 in 2011 left Bernalillo and Algodones as the remaining taxable area, reducing operating revenue by 60%. Rather than raise taxes to maintain the level of expenditures, the Board adopted an austere budget, and held the levy for Operations at 0.66 mills.

In August, 2013, the Board approved the FY 2014 budgets, and DFA approved them in September 2013.

Also in September, 2013, the Board approved, by Resolution, the submittal of the first Infrastructure Capital Improvement Project (ICIP) list to DFA, in the event that a Capital Outlay appropriation might be considered by the Legislature. Work orders were also approved for preliminary engineering on three projects.

In November, the Board signed on to an agreement with several other public agencies to cooperate in working toward a regional storm water permit from EPA. No funds were involved.

In January 2014, a workshop focused on project priorities, and Board action renewed contracts for the Executive Engineer and five On-Call engineering consultants, adopted an Open Meetings Resolution, and accepted the FY 2013 Audit Report. Ben Beck, who had been appointed by the Governor to the vacant space from District One, resigned his seat, because he moved out of the District.

In February, new Procurement Regulations were adopted, a bond issue was considered, and work orders approved for engineering work.

In March, 2014, the Board approved the contribution of \$60,000 to the Town of Bernalillo for its South Hill Road project, on the basis that it will be primarily a storm drainage project, and ties in well to existing and future ESCAFCA projects. The Board also adopted resolution 2014-3-18, Standard of Flood Protection, which states that 100-year protection will be built where possible; but because of limited funds and real estate, a lesser level will be acceptable.

April and May saw the selection of Porch & Associates, LLC as auditor; passage of the Board of Directors Election resolution, adoption of preliminary budgets for FY 2015, and a contract with RBC capital for Financial Advisor services. There was no meeting in June 2014.

Operationally, ESCAFCA continued its frugal spending. The FY 2014 Operations budget expenditures had been set at \$139,310. The end-of-year actual was \$86,378, or 62%, reflecting the tight control over operational costs by the Board of Directors.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

On the project side, the clear success of two completed projects in averting flooding encouraged ESCAFCA to continue its quest to build more facilities to protect from arroyo flooding, in cooperation with other public and private entities.

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 (Authority) 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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial information in condensed format comparing fiscal year ending June 30, 2014 with the prior fiscal year ending June 30, 2013 appears in the tables below:

<u>Statement of Net Position</u>	<u>2014</u>	<u>2013</u>
Assets:		
Cash	\$ 1,816,413	2,464,275
Ad valorem assessments receivable	93,334	130,187
Assets held in trust	1,787,761	1,855,587
Bond issue cost, net	-	57,516
Construction in process	2,251,096	1,990,150
Total assets	<u>5,948,604</u>	<u>6,497,715</u>
Liabilities:		
Accounts payable	38,039	10,234
Accrued interest payable	42,674	38,854
Bonds Payable:		
Portion due within one year	280,000	775,000
Portion due after one year	2,690,000	2,970,000
Total liabilities	<u>3,050,713</u>	<u>3,794,088</u>
Net Position:		
Net investment in capital assets	-	-
Restricted for:		
Capital projects	2,152,443	2,246,699
Debt service	556,201	294,772
Unrestricted	189,247	162,156
	<u>\$ 2,897,891</u>	<u>2,703,627</u>

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

<u>Statement of Activities</u>	<u>2014</u>	<u>2013</u>
Program Expenses:		
Governmental activities:		
Planning and engineering	\$ 20,817	12,917
General and administrative	5,851	186,870
Contractual operating and maintenance	76,544	85,622
Bond amortization	6,098	7,262
Election	-	11,841
Interest	113,603	118,541
Total governmental activities	<u>222,913</u>	<u>423,053</u>
 General Revenues		
Ad valorem assessments	417,848	964,920
Interest income	1,684	1,849
Total liabilities	<u>419,532</u>	<u>966,769</u>
 Increase in net position	<u>196,619</u>	<u>543,716</u>
 Net position, beginning of year	2,703,627	2,159,911
Prior period restatement	(2,355)	-
Net position, beginning of year, as restated	<u>2,701,272</u>	<u>2,159,911</u>
Net position, end of year	<u>\$ 2,897,891</u>	<u>2,703,627</u>

During the 2014 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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

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 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.

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 July 2013 in the amount of \$58,289, and in January 2014 in the amount of \$51,494. The annual principal payment was made in July of 2013 in the amount of \$755,000. Tax distribution fees amounted to \$3,937, and the Fiscal Agent Fee was \$300 for the year.

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, ESCAFCA made a significant reduction in its costs. The FY 2014 expenditure budget for the general fund had been set at \$139,310. The end-of-year actual was \$86,378, or 62%, reflecting the tight control over operational costs by the Board of Directors.

The capital project fund had budgeted \$1,115,000, but only spent \$225,948.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**

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.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,816,413
Ad valorem assessments receivable	93,334
Assets held in trust	1,787,761
Construction in process	<u>2,251,096</u>
Total assets	<u>5,948,604</u>
LIABILITIES	
Accounts payable	38,039
Accrued interest payable	42,674
Long-term liabilities, due in one year	280,000
Long-term liabilities, due in more than one year	<u>2,690,000</u>
Total liabilities	<u>3,050,713</u>
NET POSITION	
Net investment in capital assets	-
Restricted for:	
Capital projects	2,152,443
Debt service	556,201
Unrestricted	<u>189,247</u>
Total net position	<u><u>\$ 2,897,891</u></u>

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>Functions/Programs</u>	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Governmental activities:					
Planning and engineering	\$ 20,817	-	-	-	(20,817)
General and administrative	5,851	-	-	-	(5,851)
Contractual operating and maintenance	76,544	-	-	-	(76,544)
Election	6,098	-	-	-	(6,098)
Interest and fees on long-term debt	113,603	-	-	-	(113,603)
Total primary government	222,913	-	-	-	(222,913)
General Revenues:					
Ad valorem assessments					417,848
Interest					1,684
Total general revenues					419,532
Change in net position					196,619
Net position, beginning of year					2,703,627
Restatement					(2,355)
Net position, beginning of year, as restated					2,701,272
Net position, ending					\$ 2,897,891

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Projects	Debt Service	Total
ASSETS				
Cash	\$ 178,926	1,154,458	483,029	1,816,413
Ad valorem assessment receivable	20,162	-	73,172	93,334
Assets held in trust	-	1,787,761	-	1,787,761
Total assets	\$ 199,088	2,942,219	556,201	3,697,508
LIABILITIES				
Accounts payable	\$ 9,841	28,198	-	38,039
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - ad valorem taxes	17,872	-	66,119	83,991
FUND BALANCES				
Restricted for:				
Operations	171,375	-	-	171,375
Capital projects	-	2,914,021	-	2,914,021
Debt Service	-	-	490,082	490,082
Total fund balances	171,375	2,914,021	490,082	3,575,478
Total liabilities, deferred inflow of resources, and fund balances	\$ 199,088	2,942,219	556,201	3,697,508

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

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

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

Total fund balance - governmental funds	\$ 3,575,478
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,251,096
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	83,991
Interest on debt is accrued as a payable under the full accrual method, but not the modified accrual method.	(42,674)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,970,000)</u>
Net position - governmental activities	<u><u>\$ 2,897,891</u></u>

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Total
Revenues				
Ad valorem assessments	\$ 76,389	-	393,641	470,030
Interest income	-	1,684	-	1,684
Total revenues	76,389	1,684	393,641	471,714
Expenditures				
Current:				
General government	84,256	-	4,237	88,493
Capital outlay	-	251,631	-	251,631
Debt service:				
Principal	-	-	775,000	775,000
Interest and fees	-	-	109,783	109,783
Total expenditures	84,256	251,631	889,020	1,224,907
Excess (Deficiency) of revenues over expenditures before other financing sources	(7,867)	(249,947)	(495,379)	(753,193)
Other Financing Sources (Uses)				
Operating transfers from (to) other funds	22,381	(22,381)	-	-
Net change in fund balances	14,514	(272,328)	(495,379)	(753,193)
Fund balance, beginning of year	125,882	3,186,349	991,411	4,303,642
Restatement	30,979	-	(5,950)	25,029
Fund balance, beginning of year, as restated	156,861	3,186,349	985,461	4,328,671
Fund balance, end of year	\$ 171,375	2,914,021	490,082	3,575,478

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

**EASTERN 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, 2014**

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

Net changes in fund balances - governmental funds	\$ (753,193)
Governmental funds report capital outlay as expenditures, while in the statement of activities these costs are capitalized.	230,814
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(52,182)
Accrued interest payable is an expense under the full accrual method, and not the modified accrual method.	(3,820)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	<u>775,000</u>
Change in net position - governmental activities	<u><u>\$ 196,619</u></u>

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem assessments	\$ 76,000	76,000	108,959	32,959
Expenditures				
General government	139,310	139,310	86,378	52,932
Excess of revenues over expenditures	(63,310)	(63,310)	22,581	85,891
Other financing sources/(uses)				
Operating transfers in	22,381	22,381	22,381	-
Net change in fund balance	(40,929)	(40,929)	44,962	85,891
Prior year cash appropriated	40,929	40,929		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 44,962	
Change in:				
Ad valorem assessment receivable			(1,590)	
Accounts payable			2,122	
Unavailable revenue - ad valorem taxes			(30,980)	
GAAP change in fund balance			<u>\$ 14,514</u>	

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Eastern Sandoval County Arroyo Flood Control Authority (ESCAFCA) was created by the Eastern Sandoval County Arroyo Flood Control Act of 2007 (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.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, financial statements are presented for the Authority and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Authority has no component units.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are recorded.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Authority considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Authority follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are levied and collected by the Bernalillo County treasurer on behalf of the Authority. The taxes are levied in November and payable in two installments, November 10th and May 10th. The County remits to the Authority a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority reports the following major governmental funds:

General Fund. The General Fund is the Authority's primary operating fund. It accounts for all of the financial resources of the general government 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 is used to account for the receipts and disbursements of funds related to bond and loans.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Authority does not have an investment policy. Authority funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

C. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intangible Assets

Under ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis. There were no intangible assets at year-end.

E. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from ad valorem taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Fund Balances

The Authority follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.
- Assigned fund balance — amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

F. Fund Balances (Continued)

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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority Directors have provided otherwise in its commitment or assignment actions.

Major Funds

The fund balance for the General fund is restricted to operations of the Authority. The restriction was created by the legislation that created the authority.

The fund balances for the Capital Project fund and Debt Service fund are restricted to the completion of capital projects and the payment of debt, respectively. The restriction was created by the bond documents for the Authority's bonds.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 \$2,152,443 at year end.

Restricted for Debt Service – represents net position which is restricted to use for debt service, which amounted to \$556,201 at year end.

Unrestricted – represents net position which has no legal or other restrictions, which amounted to \$189,247 at year end.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

H. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and debt service funds.

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.

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.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

J. 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.

K. Implementation of New Accounting Standards

During the year ended June 30, 2014, the Authority adopted Government Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. This statement changes the requirement to capitalize bond issuance costs. As a result, the Authority has recorded a prior period adjustment to remove capitalized bond issuance costs from the Statement of Net Position.

During the year ended June 30, 2014, the Authority adopted Government Accounting Standards Board Statement (GASB) No. 66, *Technical Corrections – 2012, An Amendment of GASBS Statements No. 10 and No. 62*. The statement will not have a material impact on the Authority's financial statements.

NOTE 2. CASH

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name. As of June 30, 2014, the Authority's bank balance total of \$1,819,578 was exposed to credit risk in the amount of \$1,569,578 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Authority's name	<u>\$ 1,569,578</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Authority is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH (CONTINUED)

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Authority has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

NOTE 3. CONSTRUCTION IN PROCESS

Construction in Progress represents capitalized project costs in the amount of \$2,251,096 for infrastructure projects that were not placed in service at June 30, 2014.

NOTE 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 \$1,787,761 at June 30, 2014.

NOTE 5. 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.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. AD VALOREM ASSESSMENTS (CONTINUED)

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 unavailable revenue – ad valorem taxes 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, 2014, the ad valorem assessments levied by the Authority were \$.66 and \$1.00 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 15th, three years after the original assessment.

NOTE 6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,745,000	-	(775,000)	2,970,000	280,000

The Authority has the following two series of general obligation bonds outstanding:

Series 2009 General Obligation Bonds: The Authority issued \$3,000,000 in general obligation bonds in June of 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, and maturing August 1, 2019. The balance of the bonds at June 30, 2014 is \$1,100,000.

Series 2011 General Obligation Bonds: The Authority issued \$3,000,000 in general obligation bonds in October of 2011 with variable interest from 0.72% to 3.11% paid semi-annually in February and August. Principal payments are due annually commencing August 1, 2012, and maturing August 1, 2023. The balance of the bonds at June 30, 2014 is \$1,870,000.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

Interest and fee expense on the above bonds was \$103,012 and \$6,771 as of June 30, 2014, respectively. The Authority has pledged ad valorem assessment revenues for repayment of the above bonds.

The following is a schedule of the debt service requirements to maturity for the general obligation bonds:

Year Ending June 30	Principal	Interest	Total
2015	\$ 280,000	98,408	378,408
2016	280,000	88,808	368,808
2017	330,000	78,037	408,037
2018	330,000	66,155	396,155
2019	330,000	53,515	383,515
2020 to 2024	1,420,000	107,893	1,527,893
	<u>\$ 2,970,000</u>	<u>492,816</u>	<u>3,462,816</u>

NOTE 7. INTERFUND OPERATING TRANSFERS

A transfer from the Capital Project fund to the General fund was made to reimburse indirect costs in the amount of \$22,381.

NOTE 8. OFFICE SPACE

The Authority uses office space that was donated by the Town of Bernalillo. The Authority does not record in-kind rent revenue or expense for this donation.

NOTE 9. 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 and natural disasters for which the government carries commercial insurance. 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.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the Authority paid members of the Board of Directors per diem totaling \$3,515 and had \$3,610 payable to board members at June 30, 2014.

NOTE 11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 30, 2014, the date the financial statements were available to be issued. Subsequent to June 30, 2014, the Authority had no material subsequent events.

NOTE 12. RESTATEMENT

During the year ended June 30, 2014, the Authority adopted Government Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. This statement changes the requirement to capitalize bond issuance costs. As a result, the Authority has recorded a prior period adjustment to remove capitalized bond issuance costs and reduce net position in the amount of \$57,516 in the Statement of Net Position.

The Authority failed to record a payable in the amount of \$30,132 in the prior year audit. The amount should have increased construction in process, and increased accounts payable. The amount has been recorded a prior period adjustment which increases net position in the Statement of Net Position.

The Authority misstated deferred revenue in the prior audit. As a result, a prior period adjustment has been recorded that increases fund balance by \$30,979 in the General fund, and decreases fund balance in the debt service fund by \$5,950. The sum of these two misstatements increases net position on the Statement of Net Position by \$25,029.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2014

<u>Depository</u>	<u>Account Name</u>	<u>Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
US Bank	General fund	Non-interest bearing checking	\$ 180,702	178,926
US Bank	Project fund	Interest bearing checking	1,155,847	1,154,458
US Bank	Debt service fund	Non-interest bearing checking	483,029	483,029
Total deposit and investment accounts			\$ 1,819,578	1,816,413

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2014

	<u>US Bank</u>
Deposits at June 30, 2014	\$ 1,819,578
Less: FDIC coverage	250,000
Uninsured public funds	<u>1,569,578</u>
Pledged collateral held by the pledging bank's trust department or agent but not in the Authority's name	2,500,000
Uninsured and uncollateralized	<u>\$ -</u>
50% pledged collateral requirement per statute	\$ 784,789
Total pledged collateral	<u>2,500,000</u>
Pledged collateral over the requirement	<u>\$ (1,715,211)</u>

Pledged collateral at June 30, 2014 consists of the following:

<u>Security</u>	<u>LOC #</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB of Cincinnati Letter of Credit	515682	10/1/2014	<u>\$ 2,500,000</u>

The custodian of the letter of credit is the Federal Home Loan Bank of Cincinnati.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2014**

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Authority	Amount contributed by Authority during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Rio Grande Levee Feasibility Study	ESCAFCA Department of the Army	Department of the Army	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.	Sept. 2012 until complete	\$ 900,000	\$ -	ESCAFCA	Department of the Army

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 1,200	1,200	1,684	484
Expenditures				
Capital outlay	1,115,000	1,115,000	225,948	889,052
Excess of revenues over expenditures	(1,113,800)	(1,113,800)	(224,264)	889,536
Other financing sources/(uses)				
Operating transfers out	(22,381)	(22,381)	(22,381)	-
Net change in fund balance	(1,136,181)	(1,136,181)	(246,645)	889,536
Prior year cash appropriated	1,136,181	1,136,181	246,645	
	\$ -	-	-	
Non-GAAP change in fund balance			\$ (246,645)	
Change in:				
Accounts payable			(25,683)	
GAAP change in fund balance			\$ (272,328)	

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem assessments	\$ 395,000	395,000	450,106	55,106
Expenditures				
General government	4,250	4,250	4,237	13
Debt service:				
Principal	775,000	775,000	775,000	-
Interest and fees	109,783	109,783	109,783	-
Total expenditures	889,033	889,033	889,020	13
Net change in fund balance	(494,033)	(494,033)	(438,914)	<u>55,119</u>
Prior year cash appropriated	494,033	494,033	438,914	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (438,914)	
Change in:				
Ad valorem assessment receivable			(35,263)	
Unavailable revenue - ad valorem taxes			<u>(21,202)</u>	
GAAP change in fund balance			<u>\$ (495,379)</u>	

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the Eastern Sandoval County Arroyo Flood Control Authority (Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated October 30, 2014.

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 of the Authority's internal control.

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Albuquerque, New Mexico
October 30, 2014

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

2013-1 Submission of Audit Contract	Resolved
2013-2 Expenditures in Excess of Budget	Resolved

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

None

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
EXIT CONFERENCE
Year Ended June 30, 2014**

An exit conference was held on November 5, 2014, and attended by the following:

Eastern Sandoval County Arroyo Flood Control Authority

Salvador Reyes, Chairman
Larry Blair, Executive Engineer

Porch & Associates LLC

Thad Porch, Partner

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Eastern Sandoval County Arroyo Flood Control Authority. However, the contents of these financial statements remain the responsibility of the Authority's management.