

# 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, 2018

EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY

TABLE OF CONTENTS

	Page
<b>List of Principal Officials</b> .....	i
<b>Independent Auditor’s Report</b> .....	1
<b>Management’s Discussion and Analysis (Unaudited)</b> .....	4
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	11
Statement of Activities.....	12
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds .....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP Budgetary Basis): General Fund.....	17
<b>Notes to Financial Statements</b> .....	18

EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY

TABLE OF CONTENTS (CONTINUED)

	Page
<b>Supplemental Information</b>	
Schedule of Deposit and Investment Accounts .....	31
Schedule of Pledged Collateral .....	32
Schedule of Joint Powers Agreements.....	33
<b>Other Reports</b>	
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 <i>Government Auditing Standards</i> .....	34
Summary Schedule of Prior Audit Findings .....	36
Schedule of Findings and Responses .....	37
Exit Conference.....	38

EASTERN SANDOVAL COUNTY  
ARROYO FLOOD CONTROL AUTHORITY

List of Principal Officials

June 30, 2018

**Board of Directors**

Salvador Reyes	Chair
Jack Torres	Vice Chair
Leroy Lovato	Board Treasurer
Ida Fiero	Secretary

**Administrative Officials**

Larry Blair	Executive Engineer
Danielle Welch	Administrator

**Independent Auditor's Report**

Mr. Wayne Johnson, New Mexico 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**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. Wayne Johnson, New Mexico 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, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended June 30, 2018, 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 required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government auditing standards*, we have also issued our report dated November 20, 2018 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.

*Porch & Associates LLC*

Albuquerque, New Mexico  
November 20, 2018

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018**

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) 2018 was the tenth year of ESCAFCA’s operation.

The Authority continued efforts “to acquire, equip, maintain and operate a flood control system for the benefit of the authority and the inhabitants thereof...” (NMSA 1978, Article 72-20-19 (2007)). In FY 2018, those efforts involved the completion of land acquisition and final design for a dam on two arroyos east of Algodones. Work continued on a Preliminary Engineering Report (PER) for a major storm drainage system for a portion of the Town of Bernalillo.

In July 2017, the fiscal year started with Board approval of the end-of-year financial report for the year ending June 30 2017 (FY 2017); and preliminary budgets for FY 2018. End-of-year balances were \$238,477 for Operations; \$1,840,847 for Capital Projects; and \$549,705 for Debt Service.

Following approval by the Town of Bernalillo Council, a Memorandum of Understanding (MOU) with the Town of Bernalillo (TOB) was approved by the Board, which called for the TOB to take over accounting functions for ESCAFCA, beginning July 1, 2017. By the end of the FY (June 30 2018), the TOB had not been able to assume accounting duties, so ESCAFCA continued to contract for accounting services.

Also in July, difficult negotiations continued over the acquisition of land for the Algodones Dam. The Board reduced the size of the needed parcel from 5 acres to 4-1/2 acres, but held firm on the negotiated price of \$300,000, in the face of claims by the owner of valuable mineral (gravel) deposits.

The September 2017 Board meeting was a continuation of the adversarial negotiations for the Algodones Dam property, with the landowner asserting that ESCAFCA must agree, in writing, to a much higher value of the minerals, so a tax deduction could be claimed for donation to a public agency. There were other points of contention with which both parties disagreed. Following a closed session, the Board issued guidance to continue negotiations.

The Board approved resolutions setting the mill levy at 0.66 for Operations (same as previous year), and 0.930 mills for land east of I-25 (Placitas) and 2.013 mills for Algodones and Bernalillo west of I-25.



**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018**

The Board also approved a draft MOU with the TOB to allow the basin of the Canon del Agua East Dam for Public Safety Training, including a police firing range. The MOU was subsequently passed by the Town Council.

Also approved was the acquisition of General Liability and Public Officials Errors and Omissions insurance from the NM Self Insured Fund (NMSIF).

At a Special meeting on November 15, 2017, the Board adopted a Resolution for the purchase of the 4-1/2 acres of land for the Algodones dam, culminating two years of contentious negotiations.

In December 2017, the Board amended the November resolution to address an administrative omission, and on December 5, 2017, closing took place at the Title Company offices, ending the protracted negotiation for the 4-1/2 acres needed for the Algodones dam.

ESCAFCA and eleven other co-permittees submitted the second Annual Report to EPA, under the MS4 Regional Permit.

The Board adopted the Open Meeting Standards Resolution for the calendar year 2018, and approved the selection of Prominence Accounting as ESCAFCA's part-time contract accountant.

In January, 2018, the Board approved renewal of its agreement with Larry Blair as Executive Engineer for the second year of four. The Board also renewed the agreement with Mr. Andrew Edmonson as Engineer for ESCAFCA for the second year of four. Four on-call engineering contracts were also renewed for a second year.

January 2018 saw the election of Sal Reyes as Chair; Jack Torres as Vice Chair; Leroy Lovato as Treasurer; and Ida Fierro as Secretary.

General Liability insurance was now in effect to June 30, 2018, with NMSIF.

There were no meetings in February or March.

In April, a contract for appraisal services was approved with Jim Foley, the sole responder to an RFP; and an increase in the design fee was approved with OEI, due to costs incurred from the year-long delay in acquiring the property.

In April, the Board also approved an election resolution for the District One Director seat, to be voted on in November 2018. Subsequently, State law was enacted which requires all special district elections to be held in odd-numbered years. This law effectively neutered the election resolution, which the Board rescinded in June 2018; and extended the terms of all three sitting Board Members for an additional year.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**June 30, 2018**

A contract for the third and final year for Audit Services was signed in April with Porch & Associates, LLC.

June 2018 marked a significant event with the awarding of a construction contract for the long-awaited Algodones dam. Six bids were submitted, with the contract awarded to CBKN Dirtworks, Inc. for \$423,975.

In June 2018, the Board approved the ESCAFCA Infrastructure Capital Improvement Plan (ICIP), an annual submission to DFA which identified one ESCAFCA project to be built in the 2020-2024 time frame, but financed with non-ESCAFCA funds.

ESCAFCA ended the year with its usual fiscal restraint: Operating expenditures were at 45 % of budget; Capital Projects at 28%; Debt Service on target at 100%; and a “clean” audit.

ESCAFCA ended FY 18 on a high note, with the awarding of a contract for the Algodones dam, to be complete by fall of 2018. Work will also focus on finalizing the Mid-Bernalillo PER, so negotiations can begin with other agencies for cooperation and participation. The EPA MS4 Stormwater permit will continue to be an unfunded mandate, requiring significant staff resources.

ESCAFCA is under mandate to expend its current \$2.2 million bond issue within three years (by April 2019), so the challenge will be to select projects in FY 2019 which will spend all, but not overspend, the balance of the \$2.2 million by the deadline. So, emphasis will continue on construction, even as we move toward an operating mode.

**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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018**

**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.

**FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Financial information in condensed format comparing fiscal year ending June 30, 2018 with the prior fiscal year ending June 30, 2017 appears in the tables below:

<u>Statement of Net Position</u>	2018	2017
<b>Assets:</b>		
Cash	\$ 793,525	789,652
Ad valorem assessments receivable	88,673	84,450
Assets held in trust	1,413,354	1,841,406
Other receivables	-	636
Capital assets, net	4,404,550	4,010,200
Total assets	6,700,102	6,726,344
<b>Liabilities:</b>		
Accounts payable	29,341	9,541
Accrued interest payable	24,872	29,953
<b>Bonds Payable:</b>		
Portion due within one year	413,500	397,500
Portion due after one year	3,469,000	3,882,500
Total liabilities	3,936,713	4,319,494
<b>Net Position:</b>		
Net investment in capital assets	1,935,440	1,571,606
<b>Restricted for:</b>		
Capital projects	-	-
Debt service	538,530	609,536
Operations	289,419	225,708
	\$ 2,763,389	2,406,850

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018**

FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

<u>Statement of Activities</u>	2018	2017
Program Expenses:		
Governmental activities:		
Planning and engineering	\$ -	537
General and administrative	7,401	8,088
Contractual operating and maintenance	96,961	88,894
Election	13,565	12,059
Interest	106,580	108,730
Total governmental activities	<u>224,507</u>	<u>218,308</u>
General Revenues		
Ad valorem assessments	561,617	658,683
Interest income	19,429	13,168
Total liabilities	<u>581,046</u>	<u>671,851</u>
Increase in net position	356,539	453,543
Net position, beginning of year	1,953,307	1,953,307
Net position, end of year	<u>\$ 2,309,846</u>	<u>2,406,850</u>

During the 2018 fiscal year, proceeds from the 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, 2018**

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.

**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 debt service for the original \$6,000,000 bond issue to be paid by residents of the original ESCAFCA area.

The annual interest and fee payments were made in the amount of \$111,661. The annual principal payments were made in the amount of \$397,500.

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 2018 expenditure budget for the general fund had been set at \$144,030. The end-of-year actual was \$66,047, or 45%, reflecting the tight control over operational costs by the Board of Directors.

The capital project fund had budgeted \$1,556,227, but only spent \$442,062.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2018**

PLANS FOR FUTURE ACTIVITIES

Possibilities for further flood control projects in Bernalillo and Algodones are being constantly explored.

Further information may be obtained from the Authority at 829 Camino del Pueblo, Bernalillo, New Mexico 87004.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 793,525
Ad valorem assessments receivable	88,673
Assets held in trust	1,413,354
Capital assets, net	<u>4,404,550</u>
<b>Total assets</b>	<u>6,700,102</u>
<b>LIABILITIES</b>	
Accounts payable	29,341
Accrued interest payable	24,872
Long-term liabilities, due in one year	413,500
Long-term liabilities, due in more than one year	<u>3,469,000</u>
<b>Total liabilities</b>	<u>3,936,713</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,935,440
Restricted for:	
Debt service	538,530
Operations	<u>289,419</u>
<b>Total net position</b>	<u><u>\$ 2,763,389</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, 2018**

<b><u>Functions/Programs</u></b>	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government</b>					
Governmental activities:					
General and administrative	\$ 7,401	-	-	-	(7,401)
Contractual operating and maintenance	96,961	-	-	-	(96,961)
Election	13,565	-	-	-	(13,565)
Interest and fees on long-term debt	106,580	-	-	-	(106,580)
<b>Total primary government</b>	<u>224,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,507)</u>
General Revenues:					
Ad valorem assessments					561,617
Interest income					19,429
<b>Total general revenues</b>					<u>581,046</u>
<b>Change in net position</b>					<u>356,539</u>
Net position, beginning of year					<u>2,406,850</u>
<b>Net position, ending</b>					<u>\$ 2,763,389</u>

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



**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General	Capital Projects	Debt Service	Total
<b>ASSETS</b>				
Cash	\$ 275,546	2,032	515,947	793,525
Ad valorem assessment receivable	19,814	-	68,859	88,673
Assets held in trust	-	1,413,354	-	1,413,354
<b>Total assets</b>	<b>\$ 295,360</b>	<b>1,415,386</b>	<b>584,806</b>	<b>2,295,552</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,941	23,400	-	29,341
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - ad valorem taxes	18,496	-	61,895	80,391
<b>FUND BALANCES</b>				
Restricted for:				
Operations	270,923	-	-	270,923
Capital projects	-	1,391,986	-	1,391,986
Debt Service	-	-	522,911	522,911
<b>Total fund balances</b>	<b>270,923</b>	<b>1,391,986</b>	<b>522,911</b>	<b>2,185,820</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 295,360</b>	<b>1,415,386</b>	<b>584,806</b>	<b>2,295,552</b>

*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, 2018**

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

<b>Total fund balance - governmental funds</b>	\$ 2,185,820
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,404,550
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	80,391
Interest on debt is accrued as a payable under the full accrual method, but not the modified accrual method.	(24,872)
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>(3,882,500)</u>
<b>Net position - governmental activities</b>	<u><u>\$ 2,763,389</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, 2018**

	General	Capital Projects	Debt Service	Total
Revenues				
Ad valorem assessments	\$ 71,260	-	487,541	558,801
Interest income	-	19,428	1	19,429
<b>Total revenues</b>	<b>71,260</b>	<b>19,428</b>	<b>487,542</b>	<b>578,230</b>
Expenditures				
Current:				
General government	65,039	214	5,176	70,429
Capital outlay	-	441,848	-	441,848
Debt service:				
Principal	-	-	397,500	397,500
Interest and fees	-	-	111,661	111,661
<b>Total expenditures</b>	<b>65,039</b>	<b>442,062</b>	<b>514,337</b>	<b>1,021,438</b>
Excess (Deficiency) of revenues over expenditures before other financing sources	6,221	(422,634)	(26,795)	(443,208)
Other Financing Sources (Uses)				
Operating transfers from (to) other funds	26,227	(26,227)	-	-
<b>Net change in fund balances</b>	<b>32,448</b>	<b>(448,861)</b>	<b>(26,795)</b>	<b>(443,208)</b>
Fund balance, beginning of year	238,475	1,840,847	549,706	2,629,028
<b>Fund balance, end of year</b>	<b>\$ 270,923</b>	<b>1,391,986</b>	<b>522,911</b>	<b>2,185,820</b>

*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, 2018**

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

**Net changes in fund balances - governmental funds** \$ (443,208)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current period.

Depreciation expense	(47,498)	
Capital outlay	<u>441,848</u>	
Excess of capital outlay over depreciation expense		394,350

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,816

Accrued interest payable is an expense under the full accrual method, and not the modified accrual method. 5,081

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 397,500

**Change in net position - governmental activities** \$ 356,539

*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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem assessments	\$ 78,000	78,000	71,388	(6,612)
Expenditures				
General government	144,030	144,030	66,047	77,983
Excess of revenues over expenditures	(66,030)	(66,030)	5,341	71,371
Other financing sources/(uses)				
Operating transfers in	26,227	26,227	26,227	-
Net change in fund balance	(39,803)	(39,803)	31,568	71,371
Prior year cash appropriated	39,803	39,803		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP budgetary basis revenues			\$ 71,388	
Change in ad valorem assessment receivable			1,259	
Change in other receivables			(636)	
Change in unavailable revenue - ad valorem taxes			751	
GAAP revenues			<u>\$ 71,260</u>	
Non-GAAP budgetary basis expenditures			\$ 66,047	
Change in accounts payable			(1,008)	
GAAP expenditures			<u>\$ 65,039</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, 2018**

**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, 2018**

**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 10<sup>th</sup> and May 10<sup>th</sup>. 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, 2018**

**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, 2018**

**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.

**D. Capital Assets**

Capital assets, which consist of flood control projects with a depreciable life of 70 years, are reported in the government-wide financial statements at historical cost. Capital assets are defined by ESCAFCA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

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

**D. Capital Assets (Continued)**

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

**E. 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.

**F. 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 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.

**G. 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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

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

**G. Fund Balances (Continued)**

- 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.

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.

**H. 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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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 \$1,391,986 at year end.

Restricted for Debt Service – represents net position which is restricted to use for debt service, which amounted to \$522,911 at year end.

Restricted for General Fund – restricted by the enabling legislation which created the Authority, which amounted to \$270,923 at year end.

**I. 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.

**J. 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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**J. Budgetary Information (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.

**K. 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.

**L. Implementation of New Accounting Standards**

During the year ended June 30, 2018, the Authority adopted the following Government Accounting Standards Board Statements (GASB):

*GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement will not have a material impact on the Authority's financial statements.

*GASB No. 85 – Omnibus.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The statement will not have a material impact on the Authority's financial statements.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, the Authority's bank balance total of \$793,666 was exposed to credit risk in the amount of \$543,666 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Authority's name	<u>\$ 543,666</u>
---	-------------------

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.

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.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ending June 30, 2018 was as follows:

Capital assets, not depreciated					
Land	\$	350,000	305,960	-	<b>655,960</b>
Construction in process		361,057	113,840	-	<b>474,897</b>
<b>Total, not depreciated</b>	<b>\$</b>	<b>711,057</b>	<b>419,800</b>	<b>-</b>	<b>1,130,857</b>
Capital assets, depreciated					
Flood control projects	\$	3,322,943	22,048	-	<b>3,344,991</b>
<b>Total, depreciated</b>		<b>3,322,943</b>	<b>22,048</b>	<b>-</b>	<b>3,344,991</b>
Accumulated depreciation for:					
Flood control projects		23,800	47,498	-	<b>71,298</b>
<b>Total accumulated depreciation</b>		<b>23,800</b>	<b>47,498</b>	<b>-</b>	<b>71,298</b>
<b>Total capital assets, depreciated, net</b>	<b>\$</b>	<b>3,299,143</b>	<b>(25,450)</b>	<b>-</b>	<b>3,273,693</b>
<b>Total capital assets, depreciated and non-depreciated, net</b>	<b>\$</b>	<b>4,010,200</b>	<b>394,350</b>	<b>-</b>	<b>4,404,550</b>

Depreciation expense was charged to other costs in contractual operating and maintenance expenses.

**NOTE 4. ASSETS HELD IN TRUST**

During the year ending April 30, 2016, 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 \$1,413,354 at June 30, 2018.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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.

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, 2018, the ad valorem assessments levied by the Authority were as follows:

- \$0.66 for residential and nonresidential per \$1,000 of taxable value for operating purposes
- \$0.930 on all taxable real and personal property within the excluded lands east of I-25 of the Authority (Placitas and a portion of Algodones) for debt service
- \$2.013 on all taxable real and personal property within the revised boundaries of the Authority (Algodones and the Town of Bernalillo between the Rio Grande and I-25) for debt service

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.



**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 6. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2018, the following changes occurred:

	Beginning Balance	Additions	Payments	<b>Ending Balance</b>	Due Within One Year
General obligation bonds	\$ 4,280,000	-	(397,500)	<b>3,882,500</b>	413,500

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, 2018 is \$560,000.

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, 2018 is \$1,520,000.

Series 2016 General Obligation Bonds: The Authority issued \$2,200,000 in general obligation bonds in April 2018 with variable interest from 0.75% to 2.96 % paid semi-annually in February and August. Principal payments are due annually commencing August 1, 2018, and maturing August 1, 2030. The balance of the bonds at June 30, 2018 is \$2,200,000.

Interest and fee expense on the above bonds were \$103,343 and \$8,318 as of June 30, 2018, 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 for the years ending June 30:

	Principal	Interest	Total
2019	\$ 413,500	98,775	512,275
2020	432,000	84,143	516,143
2021	345,000	72,645	417,645
2022	385,000	63,626	448,626
2023	390,000	53,833	443,833
2024 to 2028	1,240,000	166,352	1,406,352
2029 to 2030	677,000	39,099	716,099
	<u>\$ 3,882,500</u>	<u>578,473</u>	<u>4,460,973</u>

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 7. INTERFUND OPERATING TRANSFERS AND DUE TO DUE FROMS**

A transfer from the Capital Project fund to the General fund was made to reimburse indirect costs in the amount of \$26,227. The amount was not outstanding in the due to and due from accounts at year-end.

There were no due to or due from balances at year-end.

**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. The Authority purchased liability insurance and errors and omissions insurance from the New Mexico State Insurance Fund to cover these risks. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

**NOTE 10. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2018, the Authority paid members of the Board of Directors per diem totaling \$2,061 and had \$2,185 payable to board members at June 30, 2018.

**NOTE 11. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through November 20, 2018, the date the financial statements were available to be issued. Subsequent to June 30, 2018, ESCAFCA had no material subsequent events.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**June 30, 2018**

<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	\$ 275,686	275,546
US Bank	Project fund	Interest bearing checking	2,033	2,032
US Bank	Debt service fund	Non-interest bearing checking	515,947	515,947
<b>Total deposit and investment accounts</b>			<b>\$ 793,666</b>	<b>793,525</b>

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2018**

	<u>US Bank</u>
Deposits at June 30, 2018	\$ 793,666
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	543,666
Pledged collateral held by the pledging bank's trust department or agent but not in the Authority's name	<u>600,000</u>
Uninsured and uncollateralized	<u>\$ -</u>
50% pledged collateral requirement per statute	\$ 271,833
Total pledged collateral	<u>600,000</u>
Pledged collateral over the requirement	<u>\$ (328,167)</u>

Pledged collateral at June 30, 2018 consists of the following:

<u>Security</u>	<u>LOC #</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB of Cincinnati Letter of Credit	525912	12/31/2018	<u>\$ 600,000</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, 2018**

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
Public Safety Training	ESCAFCA Town of Bernalillo	ESCAFCA	The Town of Bernalillo will use the dam as a public safety training area, including firearms training.	Sept. 2017, to Sept. 2022	\$ -	\$ -	ESCAFCA	ESCAFCA

# 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. Wayne Johnson, New Mexico 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, 2018, 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 20, 2018.

### **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. Wayne Johnson, New Mexico 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.

*Porch & Associates LLC*

Albuquerque, New Mexico  
November 20, 2018

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2018**

None



**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

None

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
EXIT CONFERENCE  
Year Ended June 30, 2018**

An exit conference was held on November 28, 2018, and attended by the following:

Eastern Sandoval County Arroyo Flood Control Authority

Leroy Lovato, Treasurer  
Larry Blair, Executive Engineer  
Danielle Welch, Administrator

Porch & Associates LLC

Thad Porch, Partner

\* \* \* \* \*

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