

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, 2017

EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

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EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

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EASTERN SANDOVAL COUNTY
ARROYO FLOOD CONTROL AUTHORITY

List of Principal Officials

June 30, 2017

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. Timothy Keller, 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Timothy Keller, 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, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended June 30, 2017, 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. Timothy Keller, 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 30, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Porch & Associates LLC

Albuquerque, New Mexico
November 30, 2017

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

June 30, 2017

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) 2017 was the ninth year of ESCAFCA’s operation. Completion of three projects and the spending of the initial \$6 million bond proceeds in the previous years meant a transition to an operations and maintenance mode. However, the passage of an additional \$2.2 million bond issue in 2016, followed by a loan from NMFA, allowed work to continue on a flood control dam for Algodones, and a major planning effort in Bernalillo.

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 2017, those efforts involved the completion of a preliminary design and the initiation of land acquisition for a dam east of Algodones. Also, work was initiated on a Preliminary Engineering Report (PER) for a major storm drainage system for a portion of the Town of Bernalillo.

In July, 2016, the fiscal year started with approval by DFA, and subsequent Board approval of budgets for FY 2017. In July, a Demand for Mediation was received regarding an unsettled final payment for the South Hill Pond modifications project. It was rejected on the basis that the contractor had not exhausted all administrative remedies. The claim was subsequently dropped and final payment made in May 2017.

Also in July, Director Leroy Lovato was sworn in to serve another two years, with his term ending on December 31, 2017; thus, correcting an error caused by the Governor’s office.

Consulting engineers were engaged for the two ongoing projects. Following advertisement, Wilson and Co. and Bohannon Huston Inc submitted proposals for the PER for the Mid- Bernalillo Stormwater Conveyance. BHI was recommended by the Selection Advisory Committee, approved by the Board, and a contract for \$100,430 was negotiated and subsequently approved by the Board. This PER will be a major master drainage plan for a portion of Bernalillo susceptible to flooding. The PER format is required by the State in order to apply for funding, and will be the basis for soliciting cooperation and participation from several affected agencies.

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

June 30, 2017

Occam Engineers was engaged to complete design and manage construction of the Algodones dam, under their On-Call contract with ESCAFCA. The property owners opted for the three-appraisal process, a cumbersome procedure whereby each party obtains an appraisal, which are then reviewed by a third appraiser. Unfortunately, none of the appraisals included a valuation of underlying minerals [gravel]; however, an offer was made for \$160,000, the highest of the three appraisals. The property owners rejected the offer, negotiations continued, and in December 2016, an offer of \$300,000 was made and agreed to. Later the landowner claimed a value of minerals much higher than \$300,000. It appeared that a price could not be agreed on, and the Board authorized the initiation of eminent domain proceedings. Negotiations continued, and a title company was engaged to provide title services and title insurance, which proved to be a lengthy and complicated process. In the process, the Board directed a reduction in the parcel size of about one-half acre, with no reduction in the offered price. Because a mining company owned mineral rights in the parcel, their release was also required, and this became an issue. By the end of the FY in June, 2017, adversarial negotiations were still underway, with ESCAFCA prepared to go to condemnation.

In August, 2016, the Board withdrew an offer to purchase land on the North Branch of the Canon del Agua arroyo, just west of I-25, because of the expense, and the protection provided by the completion of the CdA East Dam east of I-25.

A dedication ceremony for the Canon del Agua East Dam was held on September 20, 2016. Of interest is that on August 21, 2016, the dam held some 10 acre-feet of stormwater, which could have caused downstream flooding problems.

In September, 2016, approval was received from DFA for the FY 2017 budget, and the Board approved resolutions setting the mill levy at 0.66 for Operations [same as previous year], and 1.051 mills and 2.164 mills for land east of I-25 and Algodones and Bernalillo west of I-25, respectively. A Budget Adjustment Request [BAR] correcting an error in the Capital Projects account was also approved by the Board. In response to solicitations, proposals were solicited for ESCAFCA Administrator [one proposal received], and for ESCAFCA Accountant/bookkeeper [two proposals received]. The Board approved contracts with Danielle Welch for Administrator, and with Desert Accounting for bookkeeping services.

In December 2016, ESCAFCA and eleven other co-permittees submitted Storm Water Management Plans and the first Annual Report to EPA, culminating a year of agonizing work to interpret EPA requirements under the pioneering Regional Permit.

In January, 2017, the Board approved selection of Larry Blair as Executive Engineer for up to four years. Three applications had been received in response to an RFP. The Board also authorized the engaging of one of the respondents, Mr. Andrew Edmonson, as Engineer for ESCAFCA. Four On-Call Engineering contracts were also renewed for an additional year.

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

June 30, 2017

In May, 2017, the Board approved the ESCAFCA Infrastructure Capital Improvement Plan (ICIP), an annual submission to DFA which identified four ESCAFCA projects to be built. Porch and Associates was selected as ESCAFCA auditor, in response to an RFP. Finally, the South Hill Modifications project was closed out, with final payment to the contractor, who had wanted additional money. Application was also made to the New Mexico Self Insured Fund (NMSIF), under the NM Municipal League for liability insurance.

June 2017 marked the approval of an Agreement with the Town of Bernalillo to take over accounting and bookkeeping services for ESCAFCA, with these services to begin in July 2017. ESCAFCA ended the year with its usual fiscal restraint: Operating expenditures were at 60 % of budget; Capital Projects at 74%; and Debt Service on target at 100 %.

ESCAFCA ended FY 17 intensely involved in trying to negotiate for land for the Algodones Dam, in hopes of avoiding lengthy and expensive condemnation, and with the objective of building a flood control dam before the summer of 2018 flood season. 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 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.

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, 2017**

FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial information in condensed format comparing fiscal year ending June 30, 2017 with the prior fiscal year ending June 30, 2016 appears in the tables below:

<u>Statement of Net Position</u>	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 789,652	686,269
Ad valorem assessments receivable	84,450	71,448
Assets held in trust	1,841,406	2,117,504
Other receivables	636	-
Capital assets, net	4,010,200	3,765,434
Total assets	<u>6,726,344</u>	<u>6,640,655</u>
Liabilities:		
Accounts payable	9,541	42,629
Accrued interest payable	29,953	34,719
Bonds Payable:		
Portion due within one year	397,500	397,500
Portion due after one year	3,882,500	4,212,500
Total liabilities	<u>4,319,494</u>	<u>4,687,348</u>
Net Position:		
Net investment in capital assets	1,571,606	1,270,881
Restricted for:		
Capital projects	-	(33,173)
Debt service	609,536	484,562
Operations	225,708	231,037
	<u>\$ 2,406,850</u>	<u>1,953,307</u>

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

<u>Statement of Activities</u>	<u>2017</u>	<u>2016</u>
Program Expenses:		
Governmental activities:		
Planning and engineering	\$ 537	1,740,407
General and administrative	8,088	6,135
Contractual operating and maintenance	88,894	63,545
Election	12,059	12,009
Interest	108,730	84,647
Total governmental activities	<u>218,308</u>	<u>1,906,743</u>
 General Revenues		
Ad valorem assessments	658,683	409,271
Land donation	-	350,000
Loss on the disposal of assets	-	(52,721)
Interest income	13,168	4,846
Total liabilities	<u>671,851</u>	<u>711,396</u>
 Increase in net position	453,543	(1,195,347)
 Net position, beginning of year	1,953,307	3,148,654
Net position, end of year	<u>\$ 2,406,850</u>	<u>1,953,307</u>

During the 2016 fiscal year, proceeds from the bonds issued in the current and 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, 2017

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 \$105,498 and \$8,007, respectively. The annual principal payments were made in the amount of \$330,000.

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 2017 expenditure budget for the general fund had been set at \$134,810. The end-of-year actual was \$79,799, or 59%, reflecting the tight control over operational costs by the Board of Directors.

The capital project fund had budgeted \$1,671,806, but only spent \$267,508.

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

PLANS FOR FUTURE ACTIVITIES

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, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 789,652
Ad valorem assessments receivable	84,450
Other receivables	636
Assets held in trust	1,841,406
Capital assets, net	<u>4,010,200</u>
Total assets	<u>6,726,344</u>
LIABILITIES	
Accounts payable	9,541
Accrued interest payable	29,953
Long-term liabilities, due in one year	397,500
Long-term liabilities, due in more than one year	<u>3,882,500</u>
Total liabilities	<u>4,319,494</u>
NET POSITION	
Net investment in capital assets	1,571,606
Restricted for:	
Debt service	609,536
Operations	<u>225,708</u>
Total net position	<u><u>\$ 2,406,850</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, 2017

<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	\$ 537	-	-	-	(537)
General and administrative	8,088	-	-	-	(8,088)
Contractual operating and maintenance	88,894	-	-	-	(88,894)
Election	12,059	-	-	-	(12,059)
Interest and fees on long-term debt	108,730	-	-	-	(108,730)
Total primary government	218,308	-	-	-	(218,308)
General Revenues:					
Ad valorem assessments					658,683
Interest income					13,168
Total general revenues					671,851
Change in net position					453,543
Net position, beginning of year					1,953,307
Net position, ending					\$ 2,406,850

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

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects	Debt Service	Total
ASSETS				
Cash	\$ 245,921	90	543,641	789,652
Ad valorem assessment receivable	18,555	-	65,895	84,450
Other receivables	636	-	-	636
Due from other funds	-	1,943	-	1,943
Assets held in trust	-	1,841,406	-	1,841,406
Total assets	\$ 265,112	1,843,439	609,536	2,718,087
LIABILITIES				
Accounts payable	\$ 6,949	2,592	-	9,541
Due to other funds	1,943	-	-	1,943
Total liabilities	8,892	2,592	-	11,484
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - ad valorem taxes	17,745	-	59,830	77,575
FUND BALANCES				
Restricted for:				
Operations	238,475	-	-	238,475
Capital projects	-	1,840,847	-	1,840,847
Debt Service	-	-	549,706	549,706
Total fund balances	238,475	1,840,847	549,706	2,629,028
Total liabilities, deferred inflow of resources, and fund balances	\$ 265,112	1,843,439	609,536	2,718,087

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, 2017**

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

Total fund balance - governmental funds	\$ 2,629,028
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,010,200
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	77,575
Interest on debt is accrued as a payable under the full accrual method, but not the modified accrual method.	(29,953)
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>(4,280,000)</u>
Net position - governmental activities	<u><u>\$ 2,406,850</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, 2017

	General	Capital Projects	Debt Service	Total
Revenues				
Ad valorem assessments	\$ 83,180	-	555,912	639,092
Interest income	-	13,168	-	13,168
Total revenues	83,180	13,168	555,912	652,260
Expenditures				
Current:				
General government	80,900	59	5,936	86,895
Capital outlay	-	267,449	-	267,449
Debt service:				
Principal	-	-	330,000	330,000
Interest and fees	-	-	113,496	113,496
Total expenditures	80,900	267,508	449,432	797,840
Excess (Deficiency) of revenues over expenditures before other financing sources	2,280	(254,340)	106,480	(145,580)
Other Financing Sources (Uses)				
Operating transfers from (to) other funds	21,806	(21,806)	-	-
Net change in fund balances	24,086	(276,146)	106,480	(145,580)
Fund balance, beginning of year	214,389	2,116,993	443,226	2,774,608
Fund balance, end of year	\$ 238,475	1,840,847	549,706	2,629,028

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, 2017**

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

Net changes in fund balances - governmental funds \$ (145,580)

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	(22,146)	
Capital outlay	266,912	
Excess of capital outlay over depreciation expense		244,766

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 19,591

Accrued interest payable is an expense under the full accrual method, and not the modified accrual method. 4,766

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 330,000

Change in net position - governmental activities \$ 453,543

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem assessments	\$ 79,000	79,000	83,996	4,996
Expenditures				
General government	134,810	134,810	79,799	55,011
Excess of revenues over expenditures	(55,810)	(55,810)	4,197	60,007
Other financing sources/(uses)				
Operating transfers in	21,806	21,806	21,806	-
Net change in fund balance	(34,004)	(34,004)	26,003	60,007
Prior year cash appropriated	34,004	34,004		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP budgetary basis revenues			\$ 83,996	
Change in ad valorem assessment receivable			281	
Change in unavailable revenue - ad valorem taxes			1,097	
GAAP revenues			<u>\$ 83,180</u>	
Non-GAAP budgetary basis expenditures			\$ 79,799	
Change in accounts payable			1,101	
GAAP expenditures			<u>\$ 80,900</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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 \$1,840,847 at year end.

Restricted for Debt Service – represents net position which is restricted to use for debt service, which amounted to \$549,706 at year end.

Restricted for General Fund – restricted by the enabling legislation which created the Authority, which amounted to \$238,475 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, 2017

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, 2017, the Authority adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 77 – Tax Abatement Disclosures. The objective of this Statement is to assist the users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. 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, 2017

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, 2017, the Authority's bank balance total of \$789,652 was exposed to credit risk in the amount of \$269,826 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Authority's name	<u>\$ 269,826</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.

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, 2017

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

Capital assets, not depreciated					
Land	\$	350,000	-	-	350,000
Construction in process		2,027,984	114,308	(1,781,235)	361,057
Total, not depreciated	\$	2,377,984	114,308	(1,781,235)	711,057
Capital assets, depreciated					
Flood control projects	\$	1,389,104	152,604	1,781,235	3,322,943
Total, depreciated		1,389,104	152,604	1,781,235	3,322,943
Accumulated depreciation for:					
Flood control projects		1,654	22,146	-	23,800
Total accumulated depreciation		1,654	22,146	-	23,800
Total capital assets, depreciated, net	\$	1,387,450	130,458	1,781,235	3,299,143
Total capital assets, depreciated and non-depreciated, net	\$	3,765,434	244,766	-	4,010,200

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 \$1,841,406 at June 30, 2017.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 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
- \$1.051 on all taxable real and personal property within the excluded lands east of I-25 of the Authority (Placitas and a portion of Algodones)
- \$2.164 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)

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, 2017

NOTE 6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
General obligation bonds	\$ 4,610,000	-	(330,000)	4,280,000	397,500

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, 2017 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, 2017 is \$1,520,000.

Series 2016 General Obligation Bonds: The Authority issued \$2,200,000 in general obligation bonds in April 2017 with variable interest from 0.75% to 2.96 % paid semi-annually in February and August. Principal payments are due annually commencing August 1, 2017, and maturing August 1, 2030. The balance of the bonds at June 30, 2017 is \$2,200,000.

Interest and fee expense on the above bonds was \$105,498 and \$7,998 as of June 30, 2017, 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
2018	\$ 397,500	124,504	522,004
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 to 2027	1,415,000	196,069	1,611,069
2023 to 2030	892,000	63,215	955,215
	<u>\$ 4,280,000</u>	<u>702,977</u>	<u>4,982,977</u>

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 \$21,806. The amount was not outstanding in the due to and due from accounts at year-end.

The general fund owed the capital projects fund \$1,943 at June 30, 2017. The balance is made up of expenditures paid from the general fund in error.

NOTE 8. OFFICE SPACE

The Authority uses office space that was donated by the Town of Bernalillo. The Authority does not record inkind 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. 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.

NOTE 10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2017, the Authority paid members of the Board of Directors per diem totaling \$0 and had \$3,515 payable to board members at June 30, 2017.

NOTE 11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 6, 2017, the date the financial statements were available to be issued. Subsequent to June 30, 2017, ESCAFCA had no material subsequent events.

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2017

<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	\$ 245,921	245,921
US Bank	Project fund	Interest bearing checking	90	90
US Bank	Debt service fund	Non-interest bearing checking	543,641	543,641
Total deposit and investment accounts			\$ 789,652	789,652

EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2017

	<u>US Bank</u>
Deposits at June 30, 2017	\$ 789,652
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	539,652
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	\$ 269,826
Total pledged collateral	<u>600,000</u>
Pledged collateral over the requirement	<u>\$ (330,174)</u>

Pledged collateral at June 30, 2017 consists of the following:

<u>Security</u>	<u>LOC #</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB of Cincinnati Letter of Credit	519760	4/3/2017	200,000
FHLB of Cincinnati Letter of Credit	522764	10/3/2017	400,000
			<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, 2017

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

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. Timothy Keller, 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, 2017, 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 30, 2017.

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. Timothy Keller, 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 30, 2017

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

None

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

None

**EASTERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
EXIT CONFERENCE
Year Ended June 30, 2017**

An exit conference was held on November 29, 2017, and attended by the following:

Eastern Sandoval County Arroyo Flood Control Authority

Leroy Lovato, Chair
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.