

STATE OF NEW MEXICO
TOWN OF ESTANCIA

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2018



**STATE OF NEW MEXICO
TOWN OF ESTANCIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
OFFICIAL ROSTER
AS OF JUNE 30, 2018**

TOWN COUNCIL

Nathan Dial Mayor
Noah Sedillo.....Mayor Pro Tem
J. Morrow Hall Trustee
Stella Chavez Trustee
Manuel Romero Trustee

TOWN OFFICIALS

Michelle Jones Clerk & Treasurer
Michelle DunlapDeputy Clerk



Independent Auditors' Report

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

and

To the Honorable Mayor and the Town Council
Town of Estancia
Estancia, New Mexico

Report on Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund and major special revenue fund with a legally adopted budget of the Town of Estancia, New Mexico (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with accounting principles 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

We were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town of Estancia was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Town's financial statements as of and for the year ended June 30, 2018, particularly with respect to cash balances, capital assets and depreciation, and current-year activities.

It was not practical to extend our audit procedures sufficiently to determine the extent to which the Town of Estancia's financial statements as of and for the year ended June 30, 2018, may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of, and for the year ended June 30, 2018.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

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 11, the *Town's Proportionate Share of the Net Pension Liability* and their *Proportionate Share of the OPEB Liability* on pages 57 and 58, the *Schedule of the Town's Contributions* on pages 59 and 60, and the notes to the required supplementary information, on page 63 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 and historical context. We have applied certain limited procedures to the Schedule of the *Town's Proportionate Share of the Net Pension Liability* and *Town's Proportionate Share of the OPEB Liability* 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 on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 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 financial 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. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provision 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 Town's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
December 6, 2018

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

As management of the Town of Estancia, we offer readers of the Town of Estancia's financial statements this narrative overview and analysis of the financial activities of the Town of Estancia for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements of the Town of Estancia and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Estancia exceeded its liabilities at the close of the most recent fiscal year by \$9,093,852 (*net position*). There is a total unrestricted deficit of \$118,204.
- As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$2,015,651. Of this total, \$60,995 is restricted for capital projects, \$195,445 is restricted for special revenue funds, and \$18,616 is restricted for debt service funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Estancia's basic financial statements. The Town of Estancia's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Estancia's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Estancia'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 Town of Estancia is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Estancia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Estancia include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Town include Sewer/AWWT, Solid Waste, Water and Meter Deposits.

The government-wide financial statements can be found on pages 13-14 of this report.

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 Town of Estancia, like

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Estancia can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Estancia maintains fifteen individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, and Grants Capital Projects Fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Estancia adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, and Grants Capital Projects Fund, to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the Town charges customers either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains three types of proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-55 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Estancia, assets exceeded liabilities by \$9,093,852 at the close of the current fiscal year.

The largest portion of the Town of Estancia's net position represents the Town's investment of \$7,936,516 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Town of Estancia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Estancia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and Other Assets	\$ 1,042,416	\$ 623,374	\$ 1,665,790	\$ 1,600,343	\$ 290,918	\$ 1,891,261
Capital Assets, Net	6,676,048	2,513,328	9,189,376	6,368,626	2,653,074	9,021,700
Deferred Outflows	258,077	95,453	353,530	468,846	-	468,846
TOTAL ASSETS	<u>\$ 7,976,541</u>	<u>\$ 3,232,155</u>	<u>\$ 11,208,696</u>	<u>\$ 8,437,815</u>	<u>\$ 2,943,992</u>	<u>\$ 11,381,807</u>
LIABILITIES						
Current Liabilities	\$ 54,692	\$ 55,665	\$ 110,357	\$ 1,328,191	\$ 61,850	\$ 1,390,041
Long-term Liabilities	1,277,346	456,613	1,733,959	680,371	52,881	733,252
TOTAL LIABILITIES	1,332,038	512,278	1,844,316	2,008,562	114,731	2,123,293
Deferred Inflows	197,485	73,043	270,528	25,465	-	25,465
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1,529,523</u>	<u>585,321</u>	<u>2,114,844</u>	<u>2,034,027</u>	<u>114,731</u>	<u>2,148,758</u>
NET POSITION						
Net Investment in Capital Assets	5,479,755	2,456,761	7,936,516	6,160,857	2,592,219	8,753,076
Restricted	1,275,540	-	1,275,540	1,030,042	-	1,030,042
Unrestricted	(308,277)	190,073	(118,204)	(787,111)	237,042	(550,069)
TOTAL NET POSITION	<u>6,447,018</u>	<u>2,646,834</u>	<u>9,093,852</u>	<u>6,403,788</u>	<u>2,829,261</u>	<u>9,233,049</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 7,976,541</u>	<u>\$ 3,232,155</u>	<u>\$ 11,208,696</u>	<u>\$ 8,437,815</u>	<u>\$ 2,943,992</u>	<u>\$ 11,381,807</u>

A portion of the Town of Estancia's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

At the end of the current fiscal year, the Town of Estancia is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

The Town of Estancia's net position increased by \$143,250 during the current fiscal year.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES			
Program Revenue			
Charges for Services	\$ 69,816	\$ 752,282	\$ 822,098
Operating Grants and Contributions	769,700	-	769,700
Capital Grants	58,577	-	58,577
General Revenue			
Property Tax	9,962	-	9,962
Franchise Tax	4,799	-	4,799
Gross Receipts Tax	551,148	-	551,148
Public Service Tax	63,283	-	63,283
Miscellaneous	33,507	3,986	37,493
TOTAL REVENUES	<u>1,560,792</u>	<u>756,268</u>	<u>2,317,060</u>
EXPENSES			
General Government	492,786	-	492,786
Public Safety	560,759	-	560,759
Public Works	32	-	32
Culture and Recreation	262,204	-	262,204
Health and Welfare	140	-	140
Debt Service - Interest	9,741	-	9,741
Business-Type Activities	-	848,148	848,148
TOTAL EXPENSES	<u>1,325,662</u>	<u>848,148</u>	<u>2,173,810</u>
Increase in Net Position Before Transfers	<u>235,130</u>	<u>(91,880)</u>	<u>143,250</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	49,061	(42,947)	6,114
Transfers out	(6,114)	-	(6,114)
NET TRANSFERS	<u>42,947</u>	<u>(42,947)</u>	<u>-</u>
CHANGE IN NET POSITION	278,077	(134,827)	143,250
NET POSITION, BEGINNING OF YEAR	6,403,788	2,829,261	9,233,049
RESTATEMENT	<u>(234,847)</u>	<u>(47,600)</u>	<u>(282,447)</u>
NET POSITION AS RESTATED	<u>6,168,941</u>	<u>2,781,661</u>	<u>8,950,602</u>
NET POSITION, END OF YEAR	<u>\$ 6,447,018</u>	<u>\$ 2,646,834</u>	<u>\$ 9,093,852</u>

Governmental activities: Governmental activities increased the Town of Estancia's net position by \$278,077.

Business-type activities: Business-type activities decreased the Town's net position by \$134,827 because expenses exceeded revenues.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES			
Program Revenue			
Charges for Services	\$ 85,927	\$ 817,227	\$ 903,154
Operating Grants and Contributions	403,763	-	403,763
Capital Grants	147,814	-	147,814
General Revenue			
Property Tax	18,034	-	18,034
Franchise Tax	3,429	-	3,429
Gross Receipts Tax	776,917	-	776,917
Public Service Tax	27,144	-	27,144
Miscellaneous	1,645	-	1,645
TOTAL REVENUES	<u>1,464,673</u>	<u>817,227</u>	<u>2,281,900</u>
EXPENSES			
General Government	869,081	-	869,081
Public Safety	434,616	-	434,616
Culture and Recreation	203,436	-	203,436
Health and Welfare	202,490	-	202,490
Public Works	110,651	-	110,651
Debt Service - Interest	2,217	-	2,217
Business-Type Activities	-	873,255	873,255
TOTAL EXPENSES	<u>1,822,491</u>	<u>873,255</u>	<u>2,695,746</u>
Increase in Net Position Before Transfers	<u>(357,818)</u>	<u>(56,028)</u>	<u>(413,846)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,957	-	1,957
Transfers out	-	(1,957)	(1,957)
NET TRANSFERS	<u>1,957</u>	<u>(1,957)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(355,861)</u>	<u>(57,985)</u>	<u>(413,846)</u>
NET POSITION, BEGINNING OF YEAR	<u>6,759,649</u>	<u>2,887,246</u>	<u>9,646,895</u>
NET POSITION, END OF YEAR	<u>\$ 6,403,788</u>	<u>\$ 2,829,261</u>	<u>\$ 9,233,049</u>

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of Estancia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Estancia's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Estancia's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the Town of Estancia's governmental funds reported combined ending fund balances of \$2,051,651. \$740,111 consisted of *unassigned fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$1,560,792 in the fiscal year ended June 30, 2018. Expenditures for governmental activities, totaled \$1,557,252. In the fiscal year ended June 30, 2018, revenues exceeded expenditures by \$46,487.

The General Fund is the chief operating fund of the Town of Estancia. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$740,111.

Grants Fund. The Grants Fund has a restricted fund balance of \$51,874.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for Sewer, Solid Waste, Water and Meter Deposits funds were \$178,999, \$97,620, (\$86,546) and \$0, respectively. The change in net position for the proprietary funds was (\$134,827).

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

General Fund Budgetary Highlights

The Town budgets reflect the same pattern as seen in the revenue and expenditures of the Town. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Town level, the Town of Estancia utilizes goals and objectives defined by the Town Trustees, community input meetings, long-term plans and input from various staff groups to develop the Town budget. The Town priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Performance

Final Budget	Actual Non-GAAP Cash Basis	Favorable (Unfavorable) Variance
\$ 1,162,731	\$ 954,972	\$ 207,759

The Town's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year.

The Capital Project Funds are included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BARs).

Capital Asset

Capital assets. The Town of Estancia's capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$8,188,892 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment. The total increase in the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$423,820 for governmental activities. There was an increase in capital assets (excluding accumulated depreciation) in business-type capital assets during the current fiscal year of \$0.

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
General Capital Assets	\$ 6,157,012	\$ 3,868,346	\$ 10,025,358
Land	-	1,177,316	1,177,316
Construction in Progress	<u>748,813</u>	<u>-</u>	<u>748,813</u>
Total Capital Assets Being Depreciated	6,905,825	5,045,662	11,951,487
Total Accumulated Depreciation	<u>(1,230,261)</u>	<u>(2,532,334)</u>	<u>(3,762,595)</u>
Capital Assets, Net	<u>\$ 5,675,564</u>	<u>\$ 2,513,328</u>	<u>\$ 8,188,892</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

Debt Administration. At the end of the current fiscal year, the Town of Estancia had total debt obligations outstanding of \$252,376; of this \$16,427 is current portion of debt.

	Governmental Activities	Business-Type Activities	Total
Loans and Notes Payable	\$ 195,809	\$ 56,567	\$ 252,376
Compensated Absences Payable	15,296	4,452	19,748
Total Long-Term Debt	\$ 211,105	\$ 61,019	\$ 272,124

Long-term debt additions and retirements related to revenue bonds and loans for governmental activities for the current year were \$0 and \$11,980, respectively. Accrued compensated absences additions and retirements were \$13,694 and \$10,399, respectively, for governmental activities. Long-term debt additions and retirements related to notes and loans for business type activities for the current year were \$0 and \$4,288, respectively. Business type activities accrued compensated absences additions and retirements were \$6,295 and \$9,120, respectively.

See *Note 7* in the accompanying Notes to the Financial Statements for further information regarding the Town of Estancia's long-term debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Estancia's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Estancia Administration, Town of Estancia, P.O. Box 166, Estancia, New Mexico, 87016.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 898,661	\$ 581,158	\$ 1,479,819
Investment	88,040	-	88,040
Taxes Receivable	-	-	-
Accounts Receivable	55,715	42,216	97,931
TOTAL CURRENT ASSETS	<u>1,042,416</u>	<u>623,374</u>	<u>1,665,790</u>
NONCURRENT ASSETS			
Restricted Cash for Library Bldg. Fund	1,000,484	-	1,000,484
Capital Assets	6,905,825	5,045,662	11,951,487
Less: Accumulated Depreciation	(1,230,261)	(2,532,334)	(3,762,595)
TOTAL NONCURRENT ASSETS	<u>6,676,048</u>	<u>2,513,328</u>	<u>9,189,376</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows, Pension Related	250,211	92,544	342,755
Deferred Outflows, OPEB Related	7,866	2,909	10,775
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 7,976,541</u>	<u>\$ 3,232,155</u>	<u>\$ 11,208,696</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 5,399	\$ 4,563	\$ 9,962
Accrued Liabilities	21,850	5,329	27,179
Accrued Interest Payable	137	354	491
Meter Deposits Payable	-	36,550	36,550
Compensated Absences	15,296	4,452	19,748
Notes Payable, Current	12,010	4,417	16,427
TOTAL CURRENT LIABILITIES	<u>54,692</u>	<u>55,665</u>	<u>110,357</u>
NONCURRENT LIABILITIES			
Notes Payable, Noncurrent	183,799	52,150	235,949
Net Pension Liability	667,130	246,747	913,877
Net OPEB Liability	426,417	157,716	584,133
TOTAL NONCURRENT LIABILITIES	<u>1,277,346</u>	<u>456,613</u>	<u>1,733,959</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows, Pension Related	100,434	37,147	137,581
Deferred Inflows, OPEB Related	97,051	35,896	132,947
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1,529,523</u>	<u>585,321</u>	<u>2,114,844</u>
NET POSITION			
Net Investment in Capital Assets	5,479,755	2,456,761	7,936,516
Restricted for Debt Service Funds	18,616	-	18,616
Restricted for Capital Projects Funds	60,995	-	60,995
Restricted for Special Revenue Funds	195,445	-	195,445
Restricted for Library Building Fund	1,000,484	-	1,000,484
Unrestricted, Undesignated (Deficit)	(308,277)	190,073	(118,204)
TOTAL NET POSITION	<u>6,447,018</u>	<u>2,646,834</u>	<u>9,093,852</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 7,976,541</u>	<u>\$ 3,232,155</u>	<u>\$ 11,208,696</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contrib.	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 492,786	\$ 64,895	\$ 182,083	\$ -	\$ (245,808)	\$ -	\$ (245,808)
Public Safety	560,759	-	148,937	-	(411,822)	-	(411,822)
Public Works	32	-	-	58,577	58,545	-	58,545
Culture and Recreation	262,204	-	-	-	(262,204)	-	(262,204)
Health and Welfare	140	4,921	438,680	-	443,461	-	443,461
Interest on Long-Term Debt	9,741	-	-	-	(9,741)	-	(9,741)
Total Governmental Activities	<u>1,325,662</u>	<u>69,816</u>	<u>769,700</u>	<u>58,577</u>	<u>(427,569)</u>	<u>-</u>	<u>(427,569)</u>
Business-Type Activities							
Sewer / AWTT	59,835	138,542	-	-	-	78,707	78,707
Solid Waste Services	146,605	191,105	-	-	-	44,500	44,500
Water	491,738	270,431	-	-	-	(221,307)	(221,307)
Meter Deposits	149,970	152,204	-	-	-	2,234	2,234
Total Business-Type Activities	<u>\$ 848,148</u>	<u>\$ 752,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,866)</u>	<u>\$ (95,866)</u>
General Revenues:							
Property Taxes					9,962	-	9,962
Franchise Taxes					4,799	-	4,799
Gross Receipts Tax					551,148	-	551,148
Public Service Taxes					63,283	-	63,283
Interest Income					-	3,986	3,986
Licenses and Fees					16,557	-	16,557
Transfers, Net					42,947	(42,947)	-
Miscellaneous Income					16,950	-	16,950
Subtotal, General Revenues					<u>705,646</u>	<u>(38,961)</u>	<u>666,685</u>
Change in Net Position					278,077	(134,827)	143,250
Beginning Net Position					6,403,788	2,829,261	9,233,049
Restatement					(234,847)	(47,600)	(282,447)
Net Position as Restated					<u>6,168,941</u>	<u>2,781,661</u>	<u>8,950,602</u>
Ending Net Position					<u>\$ 6,447,018</u>	<u>\$ 2,646,834</u>	<u>\$ 9,093,852</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Inter- Governmental Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 625,531	\$ 51,874	\$ 221,256	\$ 898,661
Restricted Cash	1,000,484	-	-	1,000,484
Investments	88,040	-	-	88,040
Taxes Receivable	-	-	-	-
Other Receivables	53,300	-	2,415	55,715
TOTAL ASSETS	<u>\$ 1,767,355</u>	<u>\$ 51,874</u>	<u>\$ 223,671</u>	<u>\$ 2,042,900</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 4,910	\$ -	\$ 489	\$ 5,399
Accrued Liabilities	21,850	-	-	21,850
TOTAL LIABILITIES	<u>26,760</u>	<u>-</u>	<u>489</u>	<u>27,249</u>
FUND BALANCES				
Restricted for:				
General Fund	1,000,484	-	-	1,000,484
Special Revenue Funds	-	51,874	143,571	195,445
Capital Projects Funds	-	-	60,995	60,995
Debt Service Funds	-	-	18,616	18,616
Unassigned:				
General Fund	740,111	-	-	740,111
TOTAL FUND BALANCES	<u>1,740,595</u>	<u>51,874</u>	<u>223,182</u>	<u>2,015,651</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,767,355</u>	<u>\$ 51,874</u>	<u>\$ 223,671</u>	<u>\$ 2,042,900</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds **\$ 2,015,651**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Capital Assets	6,905,825	
Less: Accumulated Depreciation	<u>(1,230,261)</u>	
Capital Assets, Net		<u>5,675,564</u>

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:

Deferred Outflows of Resources Related to GASB 68 - Pension	250,211
Deferred Outflows of Resources Related to GASB 75 - OPEB	7,866
Deferred Inflows of Resources Related to GASB 68 - Pension	(100,434)
Deferred Inflows of Resources Related to GASB 75 - OPEB	(97,051)

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued Interest Payable	(137)	
Net Pension Liability	(667,130)	
Net OPEB Liability	(426,417)	
Accrued Compensated Absences	(15,296)	
Long-Term Debt	<u>(195,809)</u>	
Total		<u>(1,304,789)</u>

Net Position of Governmental Activities **\$ 6,447,018**

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Inter- Governmental Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 608,169	\$ -	\$ 21,023	\$ 629,192
State Grants	163,974	438,680	170,014	772,668
Federal Grants	-	-	55,609	55,609
Charges for Services	69,816	-	-	69,816
Licenses and Fees	13,512	-	3,045	16,557
Investment Income	-	-	-	-
Miscellaneous	16,915	-	35	16,950
TOTAL REVENUES	<u>872,386</u>	<u>438,680</u>	<u>249,726</u>	<u>1,560,792</u>
EXPENDITURES				
Current				
General Government	297,798	-	-	297,798
Public Safety	457,926	-	102,833	560,759
Public Works	-	-	32	32
Culture and Recreation	225,868	-	36,336	262,204
Health and Welfare	140	-	-	140
Capital Outlay	-	423,820	-	423,820
Debt Service - Principal	-	-	11,980	11,980
Debt Service - Interest	-	-	519	519
TOTAL EXPENDITURES	<u>981,732</u>	<u>423,820</u>	<u>151,700</u>	<u>1,557,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,346)</u>	<u>14,860</u>	<u>98,026</u>	<u>3,540</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	49,061	49,061
Transfers out	-	-	(6,114)	(6,114)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>42,947</u>	<u>42,947</u>
NET CHANGE IN FUND BALANCES	<u>(109,346)</u>	<u>14,860</u>	<u>140,973</u>	<u>46,487</u>
FUND BALANCE, BEGINNING OF YEAR	2,139,559	(241,645)	34,052	1,931,966
RESTATEMENT	<u>(289,618)</u>	<u>278,659</u>	<u>48,157</u>	<u>37,198</u>
FUND BALANCE, AS RESTATED	1,849,941	37,014	82,209	1,969,164
FUND BALANCE, END OF YEAR	<u>\$ 1,740,595</u>	<u>\$ 51,874</u>	<u>\$ 223,182</u>	<u>\$ 2,015,651</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Changes in Fund Balance - Governmental Funds \$ 46,487

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period:

Capital Outlay	423,820
Depreciation Expense	(116,882)

Governmental funds report Town pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension Expense	(62,810)
OPEB Expense	(9,085)

In the Statement of Activities, operating expenses such as compensated absences and long-term debt are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid):

Payments on Long-Term Debt	11,980
(Increase) Decrease in Accrued Interest Payable	(137)
(Increase) Decrease in Compensated Absences	<u>(15,296)</u>

Change in Net Position of Governmental Activities \$ 278,077

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – GENERAL FUND 101
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 867,017	\$ 867,017	\$ 554,869	\$ (312,148)
State Grants	167,525	167,525	163,974	(3,551)
Federal Grants	-	-	-	-
Charges for Services	21,840	69,983	69,816	(167)
Licenses and Fees	8,500	8,500	13,512	5,012
Investment Income	60	60	-	(60)
Miscellaneous	6,000	6,000	16,915	10,915
TOTAL REVENUES	1,070,942	1,119,085	819,086	(299,999)
EXPENDITURES				
Current				
General Government	472,757	472,757	290,314	182,443
Public Safety	434,096	434,096	448,140	(14,044)
Public Works	-	-	-	-
Culture and Recreation	207,735	255,878	216,426	39,452
Health and Welfare	-	-	92	(92)
Capital Outlay	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
TOTAL EXPENDITURES	1,114,588	1,162,731	954,972	207,759
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,646)	(43,646)	(135,886)	(507,758)
OTHER FINANCING SOURCES (USES):				
Designated Cash				-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Increase (Decrease)	(43,646)	(43,646)	(135,886)	(507,758)
Prior Year Cash Balance Budgeted	\$ -	\$ 43,646		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 819,086
Revenues, Actual on Modified Accrual Basis	872,386
Adjustments to Revenue	\$ (53,300)
Expenditures, Actual on a Budget Basis	\$ 954,972
Expenditures, Actual on Modified Accrual Basis	981,732
Adjustments to Expenditures	\$ (26,760)

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – INTERGOVERNMENTAL
GRANTS FUND 218
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	461,087	461,087	438,680	(22,407)
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	461,087	461,087	438,680	(22,407)
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	60,000	423,820	423,820	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
TOTAL EXPENDITURES	60,000	423,820	423,820	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	401,087	37,267	14,860	(22,407)
OTHER FINANCING SOURCES (USES):				
Designated Cash				-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Increase (Decrease)	401,087	37,267	14,860	(22,407)
Prior Year Cash Balance Budgeted	\$ -	\$ (37,267)		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 438,680
Revenues, Actual on Modified Accrual Basis	438,680
Adjustments to Revenue	\$ -
Expenditures, Actual on a Budget Basis	\$ 423,820
Expenditures, Actual on Modified Accrual Basis	423,820
Adjustments to Expenditures	\$ -

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
JUNE 30, 2018**

	<u>Sewer / AWWT Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Meter Deposits</u>	<u>Total Joint Utility</u>
ASSETS					
Cash and Cash Equivalents	\$ 169,216	\$ 85,107	\$ 290,285	\$ 36,550	\$ 581,158
Accounts Receivable, Net	11,437	12,513	18,266	-	42,216
TOTAL CURRENT ASSETS	<u>180,653</u>	<u>97,620</u>	<u>308,551</u>	<u>36,550</u>	<u>623,374</u>
NONCURRENT ASSETS					
Capital Assets	17,500	-	5,028,162	-	5,045,662
Less: Accumulated Depreciation	-	-	(2,532,334)	-	(2,532,334)
TOTAL NONCURRENT ASSETS	<u>17,500</u>	<u>-</u>	<u>2,495,828</u>	<u>-</u>	<u>2,513,328</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows, Pension Related	-	-	92,544	-	92,544
Deferred Outflows, OPEB Related	-	-	2,909	-	2,909
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 198,153</u>	<u>\$ 97,620</u>	<u>\$ 2,899,832</u>	<u>\$ 36,550</u>	<u>\$ 3,232,155</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts Payable	\$ 580	\$ -	\$ 3,983	\$ -	\$ 4,563
Accrued Liabilities	1,074	-	4,255	-	5,329
Accrued Interest Payable	-	-	354	-	354
Meter Deposits Payable	-	-	-	36,550	36,550
Compensated Absences	-	-	4,452	-	4,452
Notes Payable, Current	-	-	4,417	-	4,417
TOTAL CURRENT LIABILITIES	<u>1,654</u>	<u>-</u>	<u>17,461</u>	<u>36,550</u>	<u>55,665</u>
NONCURRENT LIABILITIES					
Notes Payable, Noncurrent	-	-	52,150	-	52,150
Net Pension Liability	-	-	246,747	-	246,747
Net OPEB liability	-	-	157,716	-	157,716
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>456,613</u>	<u>-</u>	<u>456,613</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows, Pension Related	-	-	37,147	-	37,147
Deferred Inflows, OPEB Related	-	-	35,896	-	35,896
TOTAL LIABILITIES AND DEFERRED OUTFLOWS	<u>1,654</u>	<u>-</u>	<u>547,117</u>	<u>36,550</u>	<u>585,321</u>
NET POSITION					
Net Investment in Capital Assets	17,500	-	2,439,261	-	2,456,761
Unrestricted	178,999	97,620	(86,546)	-	190,073
TOTAL NET POSITION	<u>196,499</u>	<u>97,620</u>	<u>2,352,715</u>	<u>-</u>	<u>2,646,834</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 198,153</u>	<u>\$ 97,620</u>	<u>\$ 2,899,832</u>	<u>\$ 36,550</u>	<u>\$ 3,232,155</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sewer / AWWT Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Meter Deposits</u>	<u>Total Joint Utility</u>
OPERATING REVENUES					
Charges for Services	\$ 138,542	\$ 191,105	\$ 270,431	\$ 152,204	\$ 752,282
TOTAL OPERATING REVENUES	<u>138,542</u>	<u>191,105</u>	<u>270,431</u>	<u>152,204</u>	<u>752,282</u>
OPERATING EXPENSES					
Operating Expenses	\$ 41,387	\$ 146,605	\$ 100,930	\$ 9,323	298,245
Travel	-	-	-	-	-
Gross Receipts Tax	-	-	11,472	-	11,472
Depreciation Expense	-	-	139,746	-	139,746
Contract Services	1,379	-	-	140,647	142,026
Salaries	17,069	-	215,286	-	232,355
Supplies	-	-	22,124	-	22,124
TOTAL OPERATING EXPENSES	<u>59,835</u>	<u>146,605</u>	<u>489,558</u>	<u>149,970</u>	<u>845,968</u>
OPERATING INCOME (LOSS)	<u>78,707</u>	<u>44,500</u>	<u>(219,127)</u>	<u>2,234</u>	<u>(93,686)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	-	-	-	3,986	3,986
Interest Expense	-	-	(2,180)	-	(2,180)
Transfers In	-	-	-	-	-
Transfers Out	(14,000)	(21,061)	(7,886)	-	(42,947)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(14,000)</u>	<u>(21,061)</u>	<u>(10,066)</u>	<u>3,986</u>	<u>(41,141)</u>
CHANGE IN NET POSITION	<u>64,707</u>	<u>23,439</u>	<u>(229,193)</u>	<u>6,220</u>	<u>(134,827)</u>
NET POSITION, BEGINNING OF YEAR	189,602	110,734	2,528,925	-	2,829,261
RESTATEMENT	<u>(57,810)</u>	<u>(36,553)</u>	<u>52,983</u>	<u>(6,220)</u>	<u>(47,600)</u>
NET POSITION, AS RESTATED	131,792	74,181	2,581,908	(6,220)	2,781,661
NET POSITION, END OF YEAR	<u>\$ 196,499</u>	<u>\$ 97,620</u>	<u>\$ 2,352,715</u>	<u>\$ -</u>	<u>\$ 2,646,834</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Sewer / AWWT Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Meter Deposits</u>	<u>Total Joint Utility</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Cash Received from User Charges	\$ 138,542	\$ 191,105	\$ 270,431	\$ 152,204	\$ 752,282
Cash Payments to Employees for Services	(41,387)	(146,605)	(100,930)	(9,323)	(298,245)
Cash Payments to Suppliers for Goods and Services	<u>(77,415)</u>	<u>(33,575)</u>	<u>184,786</u>	<u>(145,861)</u>	<u>(72,065)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>19,740</u>	<u>10,925</u>	<u>354,287</u>	<u>(2,980)</u>	<u>381,972</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Compensated Absences Expense	-	-	(2,195)	-	(2,195)
Interest Income (Expense)	-	-	(2,180)	3,986	1,806
Net Transfers	<u>(14,000)</u>	<u>(21,061)</u>	<u>(7,886)</u>	<u>-</u>	<u>(42,947)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(14,000)</u>	<u>(21,061)</u>	<u>(12,261)</u>	<u>3,986</u>	<u>(43,336)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Adjustments to Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,740	(10,136)	342,026	1,006	338,636
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>163,476</u>	<u>95,243</u>	<u>(51,741)</u>	<u>35,544</u>	<u>242,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 169,216</u>	<u>\$ 85,107</u>	<u>\$ 290,285</u>	<u>\$ 36,550</u>	<u>\$ 581,158</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating Income (Loss)	78,707	44,500	(219,127)	2,234	(93,686)
Depreciation Expense	-	-	139,746	-	139,746
Changes in Receivables	(1,427)	2,978	4,629	-	6,180
Changes in Accounts Payable	(804)	-	(1,138)	(3,937)	(5,879)
Changes in Accrued Liabilities	<u>(56,736)</u>	<u>(36,553)</u>	<u>430,177</u>	<u>(1,277)</u>	<u>335,611</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 19,740</u>	<u>\$ 10,925</u>	<u>\$ 354,287</u>	<u>\$ (2,980)</u>	<u>\$ 381,972</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies

The Town of Estancia ("Town") was incorporated in 1909, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Town of Estancia is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its Town and its inhabitants;
7. Preserve peace and order within the Town; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 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 due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

The Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets the Town holds for others in an agency capacity. The Town had no agency funds as of June 30, 2018.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds. The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the *General Fund* and the *Intergovernmental Grants Fund*. No other funds were required to be presented as major, at the discretion of management.

General Fund – the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Intergovernmental Grants Fund – To account for grant funds received from state sources for various Town projects. Authorized by New Mexico State Department of Finance and Administration. No minimum balance required according to legislation.

The Town reports its proprietary funds as a major business-type fund.

Major Enterprise Funds:

Sewer/AWWT Fund – To account for the provision of sewer services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, billing and maintenance.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Solid Waste Fund – To account for the provision of solid waste services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

Water Fund – To account for the provision of water services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

Meter Deposits Fund – To account for the provision of meter deposits from the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues reduce the cost of the function to be financed from the Town's general revenues. Amounts reported as *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*. 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 needed. 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 needed.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services for the Town's various utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied and the amount is available and provided. Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements. The Town has no prepaid items as of June 30, 2018.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	39
Infrastructure and Plant in Service	39
Land Improvements	20
Vehicles	5
Equipment and Furniture	3

Inventory: Inventory is reflected at historical cost.

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

Deferred Outflows / Inflows of Resources: *Deferred Outflow of Resources:* In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Town has three types of items that qualify for reporting in this category related to GASB 68 and GASB 75: changes in proportion, net difference between expected and actual experience and employer contributions subsequent to measurement date. These total \$353,530 and have been reported as deferred outflows of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

The Town has three types of deferred inflows which arise due to the implementation of GASB 68 and the related net pension liability and GASB 75 and the related postemployment benefits other than pensions (OPEB). Accordingly, these items, net difference between projected and actual investment earnings, change in assumptions, and differences between expected and actual experience, are reported on the Statement of Net Position in the amount of \$270,528 as of June 30, 2018. Net difference between expected and actual investment earnings are amortized into expense over a five year period. Changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. Differences between expected and actual experience are amortized into pension expense over the five-year period. Detail is found in the notes and the required supplementary information.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated schedule, depending on the length of service. Employees may accumulate annual leave and carry forward a maximum of 120 hours (15 days) from calendar year to calendar year. Upon termination employees will be paid up to 120 hours (15 days) of accrued annual leave. Qualified employees are entitled to accumulate sick leave at a rate of eight days per year. Sick leave can be carried over from year to year with no limit. Upon resignation, lay off or involuntary dismissal, employees receive no pay for unused sick leave.

Vested or accumulated vacation is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the General Fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government wide Statement of Net Position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Fund Balance: Fund Balance Classification: The Town has implemented the provisions of GASB 54. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town. These amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town or through the Town delegating this responsibility to the Town through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Fund Balance for Subsequent Years Expenditures. According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Town is required to reserve 1/12th of the General Fund's expenditures \$79,581 for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. Summary of Significant Accounting Policies (continued)

Net Position: For the government-wide statement of net position, the net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Net position is reported as restricted when constraints placed on net position use either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position which does not meet the definition of “restricted” and “net investment in capital assets”.

The Town’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from 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. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Revenues: The Town receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Town recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Town records only the portion of the taxes considered ‘measureable’ and ‘available’ in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes classified as deferred inflows of resources are recorded only when the information is available and provided.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Councilors and the Department of Finance and Administration. The legal level of budgetary control is at the fund level. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total. The Town has the following unbudgeted funds: William Library and Garnet Library.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, where applicable.

The Town is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund are shown on each budgetary statement.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. Deposits and Investments

State statutes authorize the investment of the Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits:

Type of Account	State				NMFA Reserves	Total
	Wells Fargo	Employees Credit Union	My Bank	US Bank		
Checking Accounts	\$ 1,586,307	\$ -	\$ -	\$ -	\$ 2,555	\$ 1,588,862
Savings / CDs	289,973	227,309	241,260	241,904	-	1,000,446
Total by Bank	1,876,280	227,309	241,260	241,904	2,555	2,589,308
Less: FDIC Coverage	(250,000)	(227,309)	(241,260)	(241,904)	(2,555)	(963,028)
Total Uninsured Public Funds	1,626,280	-	-	-	-	1,626,280
50% Collateralization Requirement	813,140	-	-	-	-	813,140
Pledged Securities	842,607	-	-	-	-	842,607
(Over) Under collateralized	\$ (29,467)	\$ -	\$ -	\$ -	\$ -	\$ (29,467)

Cash and Investment Per Net Position

Cash and Cash Equivalents	\$ 1,479,819
Restricted Cash for Library Bldg. Fund	1,000,484
Investments	88,040
Total Cash and Investments	\$ 2,568,343

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. Deposits and Investments (continued)

The collateral pledged is listed in the *Supporting Schedules* of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

Reconciliation of Cash and Temporary Investments

<u>Cash and Investment Per Net Position</u>	
Cash and Cash Equivalents	\$ 1,479,819
Restricted Cash for Library Bldg. Fund	1,000,484
Investments	<u>88,040</u>
Total Cash and Investments	<u>\$ 2,568,343</u>

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged for bank accounts in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least 50% of the amount on deposit with the institution.

The New MexiGrow Local Governmental Investment Pool’s (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance. In accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2018, the Town’s investment balances were exposed to custodial credit risk as follows:

NMFA Reserves	\$	2,555
State Investment Pool	\$	88,040

Interest Rate Risk and Credit Rating

The Town does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Town’s investments at June 30, 2018 include the following:

NMFA Reserves	\$	2,555
State Investment Pool	\$	88,040

Restricted Cash - Cash of \$1,000,484 is restricted due to provisions of Resolution 1998-17 Williams Memorial Library Bequest, to be used by the Library Building Fund.

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4. Receivables

Receivables as of June 30, 2018, are as follows:

Governmental Activities:

	<u>General Fund</u>	<u>State Gasoline Tax Fund</u>	<u>Total</u>
Property Taxes Receivable	\$ -	\$ -	\$ -
Due From Other Governments	53,300	2,415	55,715
Other Accounts Receivable	-	-	-
Total	<u>\$ 53,300</u>	<u>\$ 2,415</u>	<u>\$ 55,715</u>

The above governmental receivables are deemed 100% collectible.

Business-Type Activities:

	<u>Sewer/AWWT Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
Accounts Receivable, Net	\$ 11,437	\$ 12,513	\$ 18,266	\$ 42,216

The above business-type receivables are deemed 100% collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

Transfers: this schedule is reported on the government-wide basis of accounting due to the transfers of capital assets between governmental funds and business-type funds.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund	\$ 49,061	\$ 6,114
Sewer/AWWT Fund		14,000
Solid Waste Fund		21,061
Water Fund	-	7,886
Total	<u>\$ 49,061</u>	<u>\$ 49,061</u>

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows:

Governmental Activities:

	Balance June 30, 2017	Additions	Deletions	CIP Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated:					
Construction in Progress	\$ 787,726	\$ 423,820	\$ -	\$ (462,733)	\$ 748,813
Total Capital Assets Not Being Depreciated	<u>787,726</u>	<u>423,820</u>	<u>-</u>	<u>(462,733)</u>	<u>748,813</u>
Capital Assets Being Depreciated:					
General Capital Assets	5,694,279	-	-	462,733	6,157,012
Total Capital Assets	<u>6,482,005</u>	<u>423,820</u>	<u>-</u>	<u>-</u>	<u>6,905,825</u>
Less: Accumulated Depreciation for:					
General Capital Assets	1,113,379	116,882	-	-	1,230,261
Capital Assets, Net	<u>\$ 5,368,626</u>	<u>\$ 306,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,675,564</u>

Depreciation expense for the year ended June 30, 2018 was charged to the General Government function in the amount of \$116,882.

Business-Type Activities:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 1,177,316	\$ -	\$ -	\$ 1,177,316
Total Capital Assets Not Being Depreciated	<u>1,177,316</u>	<u>-</u>	<u>-</u>	<u>1,177,316</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	206,200	-	-	206,200
Equipment	321,505	-	-	321,505
Vehicles	67,968	-	-	67,968
Utility Plant in Service	3,272,673	-	-	3,272,673
Total Capital Assets Being Depreciated	<u>3,868,346</u>	<u>-</u>	<u>-</u>	<u>3,868,346</u>
Total Capital Assets	<u>5,045,662</u>	<u>-</u>	<u>-</u>	<u>5,045,662</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	115,947	6,655	-	122,602
Equipment	249,969	-	-	249,969
Vehicles	55,656	7,948	-	63,604
Utility Plant in Service	1,971,016	125,143	-	2,096,159
Total Accumulated Depreciation	<u>2,392,588</u>	<u>139,746</u>	<u>-</u>	<u>2,532,334</u>
Capital Assets, Net	<u>\$ 1,475,758</u>	<u>\$ (139,746)</u>	<u>\$ -</u>	<u>\$ 1,336,012</u>

Depreciation expense relating to business-type activities for the year ended June 30, 2018 was \$139,746.

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Long-term Debt

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
NMFA Water Tank	\$ 122,805	\$ -	\$ (7,080)	\$ 115,725	\$ 7,098
281 Water Trust Board	84,984	-	(4,900)	80,084	4,912
Compensated Absences Payable	12,001	13,694	(10,399)	15,296	406
Total Long-Term Debt	\$ 219,790	\$ 13,694	\$ (22,379)	\$ 211,105	\$ 12,416

The annual requirements to amortize the long term debt of NMFA Water Tank as of June 30, 2018, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 7,098	\$ 289	\$ 7,387
2020	7,116	272	7,388
2021	7,134	254	7,388
2022	7,152	236	7,388
2023	7,169	218	7,387
2024-2028	36,116	821	36,937
2029-2033	36,571	367	36,938
2034-2038	7,369	18	7,387
Total	\$ 115,725	\$ 2,475	\$ 118,200

Retirements and adjustments shown above for the NMFA Water Tank represents a loan subsidy (principal debt forgiveness) by the Drinking Revolving Loan Fund administered through the NM Finance Authority. The annual requirements to amortize the long term debt of the Water Trust Board as of June 30, 2018, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 4,912	\$ 200	\$ 5,112
2020	4,924	188	5,112
2021	4,937	176	5,113
2022	4,949	163	5,112
2023	4,961	151	5,112
2024-2028	24,994	568	25,562
2029-2033	25,307	254	25,561
2034-2038	5,100	13	5,113
Total	\$ 80,084	\$ 1,713	\$ 81,797

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. Long-term Debt (continued)

Business-Type Activities:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
NMED Delivery Truck	\$ 60,855	\$ -	\$ (4,288)	\$ 56,567	\$ 4,417
Compensated Absences Payable	<u>6,647</u>	<u>6,925</u>	<u>(9,120)</u>	<u>4,452</u>	<u>207</u>
Total Long-Term Debt	<u>\$ 67,502</u>	<u>\$ 6,925</u>	<u>\$ (13,408)</u>	<u>\$ 61,019</u>	<u>\$ 4,624</u>

The annual requirements to amortize the long term debt of NMED RIP, Storage Water/Delivery Tank as of June 30, 2018, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,417	\$ 1,697	\$ 6,114
2020	4,549	1,565	6,114
2021	4,686	1,428	6,114
2022	4,826	1,287	6,113
2023	4,971	1,143	6,114
2024-2028	27,183	3,385	30,568
2029-2033	<u>5,935</u>	<u>178</u>	<u>6,113</u>
Total	<u>\$ 56,567</u>	<u>\$ 10,683</u>	<u>\$ 67,250</u>

Short-term Debt: The Town had no short-term debt activity during the year. In prior years, the General Fund was typically used to liquidate governmental long-term liabilities other than debt.

NOTE 8. Operating Lease

The Town is party to the following operating leases:

- A lease for a copy machine at the administration office entered into on July 12, 2017, which requires 60 monthly payments of \$219. The lease expires on July 11, 2022.
- A lease for a copy machine at the police department entered into on September 20, 2017, which requires 39 monthly payments of \$40. The lease expires on December 19, 2020.
- A lease for a copy machine at the library entered into on September 20, 2017, which requires 39 monthly payments of \$40. The lease expires on December 19, 2020.

The operating lease expense for the year ended June 30, 2018 was \$3,116.

NOTE 9. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Town of Estancia participates in the New Mexico Self-Insurer's Fund risk pool. The Town pays an annual premium to the pool based on claim experience and the status of the pool. The Town is not liable for more than the premium paid.

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9. Risk Management (continued)

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverages are expected to be continued. At June 30, 2018, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town of Estancia.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

- Deficit fund balance of individual funds: there were no funds with deficit balances at June 30, 2018. Fund deficits will be funded by general fund transfers or by grant revenues.
- No expenditures exceeded appropriations by fund.

NOTE 11. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. Management and the Town's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town's insurance as described in *Note 9*.

NOTE 12. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 13. Construction Commitments

The Town entered into a contract with Bohannon Huston for Engineering Services for \$53,820.33. As of June 30, 2018, this contract has been completed and paid in full.

The Town entered into a contract with TRC Construction for Construction Services for \$446,179.67. As of June 30, 2018, this contract has been completed and paid in full.

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14. PERA Pension Plans

Plan description: Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

Benefits provided: Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members.

Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14. PERA Pension Plans (continued)

Contributions: The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 22 of the PERA FY17 annual audit report at:

https://www.saonm.org/media/audits/366-B-_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and Deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14. PERA Pension Plans (continued)

For PERA Fund Division Municipal Plan 2: At June 30, 2018, the Town reported a liability of \$568,871 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion was 0.0414%, which was an increase of 0.027% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town – PERA Division Municipal Plan 2 recognized pension expense of \$101,627. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>General</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,354	\$ 29,135
Changes of assumptions	26,233	5,879
Net difference between projected and actual earnings on pension plan investments	46,672	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	63,873	-
The Town's contributions subsequent to the measurement date	33,721	-
Total	<u>\$ 192,853</u>	<u>\$ 35,014</u>

\$33,721 reported as deferred outflows of resources for the PERA Division Municipal Plan 2 the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 48,522
2020	73,495
2021	15,740
2022	(13,639)
2023	-
Thereafter	-
Total	<u>\$ 124,118</u>

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 14. PERA Pension Plans (continued)

For PERA Fund Division Municipal Police Plan 3, at June 30, 2018, the Town reported a liability of \$345,006 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion was 0.0621%, which decreased 0.0062% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the County recognized PERA Fund Division Municipal Police Plan 3 pension expense of \$53,020. At June 30, 2018, the County reported PERA Fund Division Municipal Police Plan 3 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Police</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,953	\$ 64,461
Changes of assumptions	20,527	8,023
Net difference between projected and actual earnings on pension plan investments	27,786	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	49,554	30,083
The Town's contributions subsequent to the measurement date	<u>31,082</u>	<u>-</u>
Total	<u>\$ 149,902</u>	<u>\$ 102,567</u>

\$31,082 reported as deferred outflows of resources for the PERA Division Police Plan 3 the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 9,279
2020	30,666
2021	(15,568)
2022	(8,124)
2023	-
Thereafter	-
Total	<u>\$ 16,253</u>

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**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14. PERA Pension Plans (continued)

Actuarial assumptions: As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate
Projected benefit payment	100 years
Payroll growth	2.75% to 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% to 2.75% annual rate
Mortality assumption	RP-2000 Mortality tables (combined table for healthy post-retirements, employee table for active members, and disabled table for disabled retirees before retirement age) with projection to 2018 using scale AA.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	7.35%
Total	<u>100.0%</u>	

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14. PERA Pension Plans (continued)

Discount rate: The rate of 7.25% for the first 9 years (selected period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Town's proportionate share of the net pension liability	\$ 891,609	\$ 568,871	\$ 300,470
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
The Town's proportionate share of the net pension liability	\$ 550,189	\$ 345,006	\$ 176,623

Payables to the pension plan. At June 30, 2018, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2018.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 15. Post-Employment Benefits

Plan description: The Town of Estancia contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RCHA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RCHA or viewed on their website at www.nmrhca.stat.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 15. Post-Employment Benefits (continued)

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$10,775, \$10,506 and \$10,367, respectively, which equal the required contributions for each year.

NOTE 16: Postemployment Benefits Other Than Pensions

General Information

Plan description: Employees of the Town are provided with Postemployment Benefits Other Than Pensions (OPEB) through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided: The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms: At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16: Postemployment Benefits Other Than Pensions (continued)

Plan membership		
Current retirees and surviving spouses	\$	51,208
Inactive and eligible for deferred benefits		11,478
Current Active Members		<u>97,349</u>
	\$	<u>160,035</u>
Active membership		
State general	\$	19,593
State police and corrections		1,886
Municipal General		21,004
Municipal Police		3,820
Municipal FTRE		2,290
Educational Retirement Board		<u>48,756</u>
	\$	<u>97,349</u>

Contributions: Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Town were \$10,775 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Town reported a liability of \$584,133 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town's proportion was 0.01289 percent.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16: Postemployment Benefits Other Than Pensions (continued)

For the year ended June 30, 2018, the Town recognized OPEB expense of \$12,448. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 22,416
Changes of Assumptions	-	102,128
Difference between actual and projected earnings on OPEB plan investments	-	8,403
Contributions made after the measurement date	<u>10,775</u>	<u>-</u>
Total	<u>\$ 10,775</u>	<u>\$ 132,947</u>

Deferred outflows of resources totaling \$10,775 represent the Town's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (28,266)
2020	(28,266)
2021	(28,266)
2022	(28,266)
2023	<u>(19,883)</u>
Total	<u>\$ (132,947)</u>

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16: Postemployment Benefits Other Than Pensions (continued)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB
Projected payroll increases	3.5%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 year for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)

Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S core fixed income	20%	4.1%
U.S equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S equity - small / mid cap	3%	9.1%

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 16: Postemployment Benefits Other Than Pensions (continued)

Discount Rate: The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 708,544	\$ 584,133	\$ 486,521

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 496,845	\$ 584,133	\$ 652,195

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the Town reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17. Memorandum of Understanding/Joint Powers Agreements

Road Work Service

Purpose: To provide road work services.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started October 8, 2003, and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

House Inmates

Purpose: To provide support for house inmates.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started October 9, 1997 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Universal 911 addressing system

Purpose: To provide support for universal 911 addressing system.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started 1998 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

911 Communicating System

Purpose: To provide support for 911 communicating system.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started 1999 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Wildfire Suppression

Purpose: A joint powers agreement to assist and cooperate with wildland fire suppression and management assistance.

Participants: Town of Estancia, and NM Energy, Minerals and Natural Resource Development (EMNR)

Responsible Party for Operation and Audit: EMNR

Beginning and Ending Date of Agreement: Started 2007 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Solid Waste Authority

Purpose: Agreement between Torrance County Solid Waste Authority

Participants: Town of Estancia, Torrance County, Town of Encino, City of Moriarty, and Town of Willard

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started December 16, 1993 and is continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17. Memorandum of Understanding/Joint Powers Agreements (continued)

Police Patrol on School Campus

Purpose: To provide police officer patrol on school campus during the school day and during after school activities and sporting events.

Participants: Town of Estancia, and the Estancia Municipal Schools

Responsible Party for Operation and Audit: Town of Estancia

Beginning and Ending Date of Agreement: August 2016 – June 2017

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Fire Suppression Assistance

Purpose: To provide automatic aid and assistance to one another in suppressing structural fire and to protect and promote public health, welfare, and safety to their citizens.

Participants: Town of Estancia, and Torrance County

Responsible Party for Operation and Audit: Town of Estancia, and Torrance County

Beginning and Ending Date of Agreement: Remain effective March 2015 unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

NOTE 18. Related Party Transactions

The Town does not have any related party transactions to be disclosed.

NOTE 19. Restatement

A restatement is reported on the Statement of Activities as follows:

Governmental Activities: (\$234,847).

Business-type Activities: (\$47,600).

The restatement was caused by:

1. The net effect of the prior year's cash balance allocation between funds.
2. The implementation of *GASB No. 75, Postemployment Events other Than Pensions*, as described in *Note 16*.

NOTE 20. Subsequent Review

The Town of Estancia has evaluated subsequent events through December 6, 2018, which is the date the financial statements were dated. There were no significant events to report.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2018**

TOWN OF ESTANCIA MUNICIPAL GENERAL FUND	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.0414%	0.0387%
Town's proportionate share of the net pension liability	\$ 568,871	\$ 618,295
Town's covered-employee payroll	\$ 468,475	\$ 316,891
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.43%	195.11%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0337%	0.0292%
Town's proportionate share of the net pension liability	\$ 343,601	\$ 227,791
Town's covered-employee payroll	\$ 500,444	\$ 332,763
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.66%	68.45%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL POLICE PLAN 3
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2018**

TOWN OF ESTANCIA MUNICIPAL POLICE FUND	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.0621%	0.0683%
Town's proportionate share of the net pension liability	\$ 345,006	\$ 503,937
Town's covered-employee payroll	\$ 174,164	\$ 128,086
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.09%	393.44%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%
	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0467%	0.0517%
Town's proportionate share of the net pension liability	\$ 228,887	\$ 168,536
Town's covered-employee payroll	\$ 163,626	\$ 194,837
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.88%	86.50%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - General
Last Ten Fiscal Years***

MUNICIPAL GENERAL FUND

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 44,739	\$ 30,263
Contributions in relation to the contractually required contribution	<u>44,739</u>	<u>59,095</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (28,832)</u>
Town's covered-employee payroll	\$ 468,475	\$ 316,891
Contributions as a % of covered-employee payroll	9.55%	18.65%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 47,792	\$ 31,779
Contributions in relation to the contractually required contribution	<u>53,254</u>	<u>13,372</u>
Contribution deficiency (excess)	<u>\$ (5,462)</u>	<u>\$ 18,407</u>
Town's covered-employee payroll	\$ 500,444	\$ 332,763
Contributions as a % of covered-employee payroll	-10.64%	4.02%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Fund Division – Police Plan 3
Last Ten Fiscal Years***

MUNICIPAL POLICE FUND

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 32,917	\$ 24,208
Contributions in relation to the contractually required contribution	<u>32,917</u>	<u>24,208</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 174,164	\$ 128,086
Contributions as a % of covered-employee payroll	18.90%	18.90%
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 30,925	\$ 36,824
Contributions in relation to the contractually required contribution	<u>44,085</u>	<u>29,663</u>
Contribution deficiency (excess)	<u>\$ (13,160)</u>	<u>\$ 7,161</u>
Town's covered-employee payroll	\$ 163,626	\$ 194,837
Contributions as a % of covered-employee payroll	-26.94%	-15.22%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018*</u>
Town's proportion of the net OPEB liability	0.01289%
Town's proportionate share of the net OPEB liability	\$ 584,133
Town covered employee payroll	\$ 498,857
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	117.09%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Town will present information for available years.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF TOWN'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018*
Contractually required contribution	\$ 10,775
Less: Contributions in relation to the contractually required contributions	<u>10,775</u>
	<u><u>\$ -</u></u>
Town's covered employee payroll	\$ 498,857
Contributions as a percentage of covered employee payroll	2.16%

*This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the Town will present information for available years.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. <https://www.saonm.org>.

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>.

See Independent Auditors' Report

NON-MAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2018**

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Town with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Local Government Corrections Fund– To account for the operation and maintenance of the Town’s jail. Financing is provided by the assessment of correction fees which may be used only for prisoner care. Authorized by NMSA 1978 35-14-44. No minimum balance required according to legislation.

Emergency Medical Services Fund– To account for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authorized by NMSA 24-10A & NMS 6-11-6. No minimum balance required according to legislation.

Fire Protection Fund– To account for the operations and maintenance of the fire department contributions and grants from the state fire allotment and state forestry provide funding. Authorized by the Fire Protection Act, NMSA 1978 59A-53-1. No minimum balance required according to legislation.

Law Enforcement Protection Fund– To account for the grant funds used for maintenance and development of the Town’s police force. Financing is provided by a grant from the State of New Mexico. Such revenue provided for purchase and repairs of equipment as well as classes to upgrade the training of police personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1. No minimum balance required according to legislation.

State Gasoline Tax Fund – To account for special gasoline tax distribution to be used for maintenance and improvement of the streets and highways. Funding is form State gasoline tax. Authorized by NMSA 1978 7-1-6.9 to 7-13-18. No minimum balance required according to legislation.

DWI Program Fund – To account for the grant funds received from state sources for DWI related issues and awareness. Authorized by NM State Department of Finance and Administration. No minimum balance required according to legislation.

Garnett Library Grant Fund– To account for the operations and maintenance of the library. Financing is provided by a grant. The grant provides for payment of all current operating costs and may be used only for that purpose. Authorized by Town ordinance, NMSA 1978 section 18-2-4B. No minimum balance required according to legislation.

YCC Fund - To account for funding to support education and job opportunities to the youth of New Mexico through the conservation and enhancement of the state’s natural resources and community benefits. Authorized by New Mexico Energy, Minerals and Natural Resources Department. No minimum balance required according to legislation.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2018
SPECIAL REVENUE FUNDS (continued)**

Keep NM Beautiful Fund - To account for a grant to administer solid waste management and litter control activities, native landscaping and beautification activities, and educational recycling activities. Authority by NM Clean & Beautiful, a program of the NM Tourism Department. No minimum balance required according to legislation.

William Library Fund– To account for the operations and maintenance of the library. Financing is provided by a grant. The grant provides for payment of all current operating costs and may be used only for that purpose. Authorized by Town ordinance, NMSA 1978 section 18-2-4B. No minimum balance required according to legislation.

All funds are on a reimbursement basis, therefore there are no reverting fund requirements.

CAPITAL PROJECTS FUND

Grants Capital Projects Fund – To account for funds collected in prior years to fund the replacement of part of the waste water treatment plant.

DEBT SERVICE FUND

Debt Service Fund - To account for financial resources to be used for the acquisition and payment of long term bonds and notes of the Town.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING BALANCE SHEET – NONMAJOR FUNDS
JUNE 30, 2018**

	Special Revenue				
	Local Gov't Corrections Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	State Gasoline Tax Fund
ASSETS					
Cash and Cash Equivalents	\$ 9,728	\$ 443	\$ 31,521	\$ 116	\$ 80,266
Restricted Cash	-	-	-	-	-
Investments	-	-	-	-	-
Taxes Receivable	-	-	-	-	-
Other Receivables	-	-	-	-	2,415
TOTAL ASSETS	<u>\$ 9,728</u>	<u>\$ 443</u>	<u>\$ 31,521</u>	<u>\$ 116</u>	<u>\$ 82,681</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 81	\$ 55	\$ 353	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>81</u>	<u>55</u>	<u>353</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	9,647	388	31,168	116	82,681
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Unassigned:					
General Fund	-	-	-	-	-
TOTAL FUND BALANCES	<u>9,647</u>	<u>388</u>	<u>31,168</u>	<u>116</u>	<u>82,681</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,728</u>	<u>\$ 443</u>	<u>\$ 31,521</u>	<u>\$ 116</u>	<u>\$ 82,681</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING BALANCE SHEET – NONMAJOR FUNDS - CONTINUED
JUNE 30, 2018**

	Special Revenue			
	DWI Program Fund	Garnett Library Fund	YCC Fund	Trolley Fund
ASSETS				
Cash and Cash Equivalents	\$ 298	\$ -	\$ -	\$ -
Restricted Cash	-	-	-	-
Investments	-	-	-	-
Taxes Receivable	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	298	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Unassigned:				
General Fund	-	-	-	-
TOTAL FUND BALANCES	<u>298</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING BALANCE SHEET – NONMAJOR FUNDS - CONTINUED
JUNE 30, 2018**

	Special Revenue		Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Keep New Mexico Beautiful Fund	Williams Library Fund	Grants Capital Projects Fund	Nonmajor Debt Service Fund	
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 19,273	\$ 60,995	\$ 18,616	\$ 221,256
Restricted Cash	-	-	-	-	-
Investments	-	-	-	-	-
Taxes Receivable	-	-	-	-	-
Other Receivables	-	-	-	-	2,415
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 19,273</u>	<u>\$ 60,995</u>	<u>\$ 18,616</u>	<u>\$ 223,671</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 489
Accrued Liabilities	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489</u>
FUND BALANCES					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	19,273	-	-	143,571
Capital Projects Funds	-	-	60,995	-	60,995
Debt Service Funds	-	-	-	18,616	18,616
Unassigned:					
General Fund	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>19,273</u>	<u>60,995</u>	<u>18,616</u>	<u>223,182</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 19,273</u>	<u>\$ 60,995</u>	<u>\$ 18,616</u>	<u>\$ 223,671</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue				
	Local Gov't Corrections Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	State Gasoline Tax Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 21,023
State Grants	-	5,604	83,433	22,400	-
Federal Grants	-	-	-	-	-
Charges for Services	-	-	-	-	-
Licenses and Fees	3,045	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	<u>3,045</u>	<u>5,604</u>	<u>83,433</u>	<u>22,400</u>	<u>21,023</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	945	5,266	74,116	22,506	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-
TOTAL EXPENDITURES	<u>945</u>	<u>5,266</u>	<u>74,116</u>	<u>22,506</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,100</u>	<u>338</u>	<u>9,317</u>	<u>(106)</u>	<u>21,023</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,100	338	9,317	(106)	21,023
FUND BALANCE, BEGINNING OF YEAR	7,547	26	21,205	1,296	37,567
RESTATEMENT	-	24	646	(1,074)	24,091
FUND BALANCE, AS RESTATED	<u>7,547</u>	<u>50</u>	<u>21,851</u>	<u>222</u>	<u>61,658</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,647</u>	<u>\$ 388</u>	<u>\$ 31,168</u>	<u>\$ 116</u>	<u>\$ 82,681</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR FUNDS -CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue			
	DWI Program Fund	Garnett Library Fund	YCC Fund	Trolley Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	-	-	55,609	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>55,609</u>	<u>-</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	36,336	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>36,336</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>19,273</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	19,273	-
FUND BALANCE, BEGINNING OF YEAR	3,950	-	(14,964)	-
RESTATEMENT	(3,652)	-	(4,309)	-
FUND BALANCE, AS RESTATED	298	-	(19,273)	-
FUND BALANCE, END OF YEAR	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR FUNDS -CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue		Capital Projects	Debt Service	Total
	Keep New Mexico Beautiful Fund	Williams Library Fund	Grants Capital Projects Fund	Nonmajor Debt Service Fund	Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 21,023
State Grants	-	-	58,577	-	170,014
Federal Grants	-	-	-	-	55,609
Charges for Services	-	-	-	-	-
Licenses and Fees	-	-	-	-	3,045
Investment Income	-	-	-	-	-
Miscellaneous	-	-	-	35	35
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>58,577</u>	<u>35</u>	<u>249,726</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	102,833
Public Works	-	-	32	-	32
Culture and Recreation	-	-	-	-	36,336
Health and Welfare	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal	-	-	-	11,980	11,980
Debt Service - Interest	-	-	-	519	519
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>32</u>	<u>12,499</u>	<u>151,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>58,545</u>	<u>(12,464)</u>	<u>98,026</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	49,061	49,061
Transfers out	-	-	-	(6,114)	(6,114)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,947</u>	<u>42,947</u>
NET CHANGE IN FUND BALANCES	-	-	58,545	30,483	140,973
FUND BALANCE, BEGINNING OF YEAR	164	-	28,639	(51,378)	34,052
RESTATEMENT	(164)	19,273	(26,189)	39,511	48,157
FUND BALANCE, AS RESTATED	-	19,273	2,450	(11,867)	82,209
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 19,273</u>	<u>\$ 60,995</u>	<u>\$ 18,616</u>	<u>\$ 223,182</u>

See Independent Auditors' Report

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018**

<u>Name of Depository</u>	<u>Description</u>	<u>Fair Market Value at 6/30/2018</u>	<u>Maturity Date</u>	<u>Name / Location of Safekeeper</u>
Wells Fargo	3138EKFA8 FNMA 3%	\$ 837,851	12/1/2042	Bank of NY - Mellon
Wells Fargo	3138WMXJ5 FNMA 3%	4,756	3/1/2043	Bank of NY - Mellon
Total		\$ 842,607		

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
JUNE 30, 2018**

<u>Bank Account Type / Name</u>	<u>Wells Fargo</u>	<u>State Empl. CU</u>	<u>My Bank</u>	<u>US Bank</u>	<u>State Treasurer</u>	<u>Total</u>
Checking w/ Int.; Meter Deposits Public Funds	\$ 36,550	\$ -	\$ -	\$ -	\$ -	\$ 36,550
Checking; Investment Acct Choice IV Public Funds	1,532,404	-	-	-	-	1,532,404
Checking; Payroll Choice IV	16,165	-	-	-	-	16,165
Savings; Willis Bequest	-	5,918	-	-	-	5,918
Certificate of Deposit: Wells Fargo	290,011	-	-	-	-	290,011
Certificate of Deposit: State Employees CU	-	227,309	-	-	-	227,309
Certificate of Deposit: My Bank	-	-	241,260	-	-	241,260
Certificate of Deposit: US Bank	-	-	-	241,904	-	241,904
MVD Account	1,188	-	-	-	-	1,188
Licenses and Fees	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
State Treasurer's Office	-	-	-	-	88,040	88,040
TOTAL PER BANK	<u>1,876,318</u>	<u>233,227</u>	<u>241,260</u>	<u>241,904</u>	<u>88,040</u>	<u>2,680,749</u>
Reconciling Items	<u>(115,411)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,411)</u>
RECONCILED BALANCE	<u>\$ 1,760,907</u>	<u>\$ 233,227</u>	<u>\$ 241,260</u>	<u>\$ 241,904</u>	<u>\$ 88,040</u>	<u>2,565,338</u>
Petty Cash						450
NMFA Cash						<u>2,555</u>
Total Cash and Investments at June 30, 2018						<u>\$ 2,568,343</u>
Cash and Cash Equivalents, Statement of Net Position						2,480,303
Investments, Statement of Net Position						<u>88,040</u>
Total Cash and Investments at June 30, 2018						<u>\$ 2,568,343</u>

See Independent Auditors' Report

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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**

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and the Town Council
Town of Estancia
Estancia, 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, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico, Town of Estancia (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds of the Town, presented as supplemental information and have issued our report dated December 6, 2018. Our report disclaims an opinion on such financial statements because the Town was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Town's financial statements as of and for the year ended, June 30, 2018, particularly with respect to cash balances, capital assets and depreciation, and current-year activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 of the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that are considered to be material weaknesses and significant deficiencies.

A *deficiency on 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following findings to be material weaknesses: 2005-001, 2016-003 and 2016-006.

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. We consider the deficiencies described in the accompany Schedule of Findings and Responses as 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying Schedule of Findings and Responses as items: 2005-001, 2014-001, 2016-003 and 2016-006.

Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion on them.

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
December 6, 2018

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I. FINANCIAL STATEMENT FINDINGS

2005-001 [05-01] Capital Asset Depreciation Schedule – Material Weakness, Compliance and Other Matter (Repeated and Modified)

Condition: The Town does not have an accurate capital asset listing and related depreciation schedule for the Town's capital assets.

Management's Progress: The Town did make progress with this finding as they hired a company to perform a capital asset inventory listing.

Criteria: A capital asset listing and the related depreciation schedule is required by Generally Accepted Accounting Principles, GASB 34.177a and NMAC 2.20.1.15. In addition, control over the Town's capital assets is exercised through the maintenance of a detail capital asset schedule.

Cause: The Town had not previously maintained an inventory of capital assets and related depreciation. During the fiscal year the Town had an outside company perform a capital asset inventory listing but upon further review of the listing it did not accurately provide all the Town's assets.

Effect: The financial statements of the Town do not reflect accurate capital asset costs, the related accumulated depreciation or depreciation expense for the year.

Auditors' Recommendation: We recommend that the Town obtain assistance in compiling an accurate capital asset listing and that the depreciation schedules are updated. Assets need to have accurate costs associated with them as well as an accurate estimate of accumulated depreciation based on their useful lives. The asset inventory performed in fiscal year 2018 needs to be reconciled with the asset detail that ties to the financial statements and adjustments must be made to fairly state the assets and accumulated depreciation.

Management's Response: We, the municipality of Estancia, absolutely agree with and accept this finding. We are aware that we do not have an accurate capital asset listing or related depreciation schedule, which are critical to the accurate reconciliation of assets. In the fall of 2017, we contracted with an asset management company to rectify this situation. We paid that company \$4,000 to complete a correct asset listing and depreciation schedule for us. Their work was done to such a poor standard that it is worthless to us. We agree that the best avenue to rectify this situation is to hire a reputable firm to assist us. However, we cannot afford this expense again at this time. When our local private prison closed approximately 1 ½ years ago, we suffered a significant loss in revenue. Our number one focus at this time is our residents and our employees. As funding becomes available, we will pursue rectifying this finding. We will be receiving our Small Cities Distribution in March or April of this year and, depending on that amount, we may be able to pursue rectifying this finding at that time.

Responsible Party: The Clerk and Deputy Clerk

Timeline: The Town intends to rectify this issue by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

2014-001 Lack of Internal Controls over Cash Receipts – Significant Deficiency, Compliance and Other Matter (Repeated and Modified)

Condition: During our test work over cash receipts, we noted six (6) out of twenty-five (25) instances where deposits were not made within 24 hours of receipt. This resulted in an error rate of 24% and a total of questioned costs of \$5,334.27.

Management's Progress: The Town is making progress to implement policies and procedures to ensure all laws are complied with.

Criteria: NMSA 1978 Section 6-5-2 states "2. Document the receipt of money using a prenumbered cash receipt slip, validated cash register receipt, or a cash receipt log. Record the date, amount, and person issuing the receipt. Record the payer, when applicable."

Cause: The Town has not implemented controls over the timeframe required for deposits.

Effect: When deposits are not deposited timely, it increases the risk for misappropriation of those cash receipts.

Auditors' Recommendation: The Town should implement NMSA 1978 Section 6-5-2 and properly train all staff and personnel on those policies and procedures. The Town is encouraged to have all personnel in charge of preparing and reviewing receipts perform a review of all supporting documents to ensure accuracy and appropriate documentation for deposits.

Management's Response: The Clerk, Deputy Clerk, and Administrative Assistant have implemented a new procedure with a check sheet that shows when funds are taken to the bank. This check sheet is implemented to insure that daily deposits are made and not forgotten.

Responsible Party: The Clerk and Deputy Clerk

Timeline: The Town intends to rectify this issue by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

**2016-003 – Mismanagement of Pooled Cash, Material Weakness, Compliance and Other Matter
(repeated and revised from 2016 Special Investigation)**

Condition: The Town's pooled cash system has not been reconciled to cash by fund, creating many year over year variances between audited cash and cash reported to the New Mexico Department of Finance and Administration (DFA). The largest variances appear in the general fund and the joint utility fund.

Management's Progress: Although the Town is working on this, there has been no significant progress.

Criteria: §6-6-3 (A), (B), (C) NMSA 1978 - Every local public body shall keep all the books, records and accounts in their respective offices, make all reports and conform to the rules and regulations adopted by the local government division. §3-12-3(A) 3 NMSA 1978 - The governing body of a municipality having a mayor-council form of government shall manage and control the finances and all property, real and personal, belonging to the municipality. §10-5-2 (B) NMSA 1978 - The secretary of finance and administration may summarily suspend any official of any local public body in all cases where an audit reveals fiscal management of an office resulting in violation of law or willful violation of the fiscal regulations. Town Ordinance 9-1-4 - The Town Clerk must keep records of all utility bills and receipts provided to customers, and they must collect and deposit all proceeds collected from the utility bills into the appropriate utility fund account.

Cause: The Town's current accounting system makes it difficult to account for cash in individual funds so they rely on the roll forward of cash balances on the DFA reports but ultimately do not make adjustments in their accounting system to reflect cash in the proper funds.

Effect: The Town's Board of Trustees approved and certified inaccurate information. The Board may have violated section 6-6-3 NMSA 1978 by continually certifying cash by fund on the fourth quarter report and the final budget that does not materially tie to the audited financial statements. The governing body's certification of incorrect reports may have influenced DFA's Local Government Division's decisions to approve expenditures in excess of actual available cash, projected revenues and required reserves. The Town may or may not have the cash and revenues needed to provide the basic government mandated services required for the safety and health of its residents.

Auditors' Recommendation: The Town should develop and implement policies and procedures regarding cash management, account reconciliations and required backup documentation for the governing body. Additionally, the Town may want to consider creating separate bank accounts to facilitate accurate fund accounting. Audited cash should be reconciled to cash certified to DFA at the completion of each annual financial statement audit.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Management's Response: We, the municipality of Estancia, agree with and accept this finding. Accuracy and transparency are the goal for us every day. We continue to work with our DFA analyst and our auditor to improve our accounting and reporting. We do see the urgent need to move to a better reporting system. Again, we are in a very serious economic situation that prevents us from moving to Caselle at this time. Moving to Caselle would require a one-time payment of approximately \$25,000 and additional monthly payments of \$900. We do not have the funding to do this at this time. When and if our prison re-opens or our situation changes in a positive way, we will pursue changing our accounting system.

Responsible Party: The Clerk and Deputy Clerk.

Timeline: The Town intends to complete procedures for these reconciliations by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

2016-006 – Timeliness of Due to/Due From Reversals, Material Weakness, Compliance and Other Matter (repeated and revised from 2016 Special Investigation)

Condition: The Town was unable to provide any documentation for what amounts were actually owed to the joint utility fund or what the repayment terms might be.

Management's Progress: This finding originated during a 2016 special investigation under different management. Current management in the process of identifying the real problem here so they can implement corrective action.

Criteria: Generally Accepted Accounting Principles

Cause: It is unclear why the interfund balances have not been reconciled however; it is most likely the result of staffing shortages, turnover, and lack of training.

Effect: The Town's financial statements for several years may be inaccurate or misleading. The Town's lack of internal controls and monitoring increase the risk for fraud, waste and abuse of Town resources.

Auditors' Recommendation: We recommend the Town properly train its accounting personnel on accounting practice requirements pertaining to due to/due from reversals.

Management's Response: The Clerk and Deputy Clerk have attended recent DFA trainings to gain a better understanding of Due To/Due From reversals. The Town did not use the accounting practice of due to/due from reversals in FY18 and does not intend to. The Town will reach out to the State Auditor's Office to get a better understanding of how this finding originated in order to understand how to resolve it.

Responsible Party: The Clerk and Deputy Clerk

Timeline: The Town intends to complete procedures for these reconciliations by June 30, 2019.

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. STATUS OF PRIOR YEAR AUDIT FINDINGS

2005-001 – Capital Assets and Depreciation - Repeated

2014-001 – Internal Controls Cash Receipts - Repeated

2014-003 – Mileage and Per Diem - Resolved

2015-001 – No Contract on File - Resolved

2015-002 – Procurement - Resolved

2015-004 – Revenue Collection - Resolved

2015-005 – Payroll - Resolved

2016-001 – Policies and Procedures – Resolved

2016-003 – Pooled Cash – Repeated

2016-006 – Timeliness of Reversals – Repeated

2016-007 – Transfers – Resolved

2016-011 – Co-mingling of Funds – Resolved

2016-012 – Compliance with Town Ordinances – Resolved

2016-016 – Unsubstantiated Transactions – Resolved

2016-020 – Oversight Noncompliance – Resolved

2016-021 – IRS Regulations - Contractors – Resolved

2016-023 – PERA Noncompliance - Contractors – Resolved

**STATE OF NEW MEXICO
TOWN OF ESTANCIA
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

An exit conference was held on December 6, 2018 to discuss the results of the audit. Attending were the following:

Representing the Town of Estancia:

Nathan Dial, Mayor
Noah Sedillo, Mayor Pro Tem
Michelle Jones, Clerk & Treasurer
Michelle Dunlap, Deputy Clerk

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA – Member – Director of Audit
Lee Baldwin, CPA, CFE, CGFM – Audit Manager
Richard (Shi) Lu, CPA – Auditor

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Office's Administrator. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.