

STATE OF NEW MEXICO  
TOWN OF ESTANCIA

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

**FOR THE YEAR ENDED JUNE 30, 2019**



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
ANNUAL FINANCIAL REPORT  
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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
OFFICIAL ROSTER  
AS OF JUNE 30, 2019**

**TOWN COUNCIL**

Nathan Dial ..... Mayor  
Noah Sedillo.....Mayor Pro Tem  
J. Morrow Hall ..... Trustee  
Stella Chavez..... Trustee  
Albert Lovato..... Trustee

**TOWN OFFICIALS**

Michelle Jones ..... Clerk & Treasurer  
Michelle Dunlap .....Deputy Clerk



## Independent Auditors' Report

Honorable Brian S. Colón, Esq.

New Mexico State Auditor

Santa Fe, New Mexico

and

To the Honorable Mayor and the Town Trustees

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 comparisons 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, 2019, 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.

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ALBUQUERQUE, NM 87109

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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, through its general ledger, was unable to provide sufficient appropriate evidential matter to support cash balances and the changes to fund balance/net position for the Town's governmental activities, business-type activities, major governmental funds, proprietary funds and the aggregate remaining fund information as of and for the year ended June 30, 2019.

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, 2019, 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, 2019.

### **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 *Town's Proportionate Share of the Net Pension Liability* and their *Proportionate Share of the OPEB Liability* on pages 58, 59 and 62, the *Schedule of the Town's Contributions* on pages 60, 61 and 63, and the notes to the required supplementary information, on page 64 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.

The Town has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### 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 12, 2019 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 12, 2019



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,098,555	\$ 613,471	\$ 1,712,026
Investment	88,040	-	88,040
Taxes Receivable	55,956	-	55,956
Accounts Receivable	<u>14,139</u>	<u>59,548</u>	<u>73,687</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,256,690</u>	<u>673,019</u>	<u>1,929,709</u>
<b>NONCURRENT ASSETS</b>			
Restricted Cash for Library Bldg. Fund	999,091	-	999,091
Capital Assets	5,432,255	8,080,594	13,512,849
Less: Accumulated Depreciation	<u>(1,980,120)</u>	<u>(2,650,799)</u>	<u>(4,630,919)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,451,226</u>	<u>5,429,795</u>	<u>9,881,021</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows, Pension Related	285,069	100,159	385,228
Deferred Outflows, OPEB Related	<u>6,356</u>	<u>2,233</u>	<u>8,589</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 5,999,341</u>	<u>\$ 6,205,206</u>	<u>\$ 12,204,547</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 7,352	\$ 15,437	\$ 22,789
Accrued Liabilities	8,797	2,867	11,664
Meter Deposits Payable	-	38,209	38,209
Compensated Absences	23,573	1,946	25,519
Notes Payable, Current	<u>12,654</u>	<u>4,549</u>	<u>17,203</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>52,376</u>	<u>63,008</u>	<u>115,384</u>
<b>NONCURRENT LIABILITIES</b>			
Notes Payable, Noncurrent	184,506	47,601	232,107
Net Pension Liability	825,852	290,164	1,116,016
Net OPEB Liability	<u>370,045</u>	<u>130,016</u>	<u>500,061</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,380,403</u>	<u>467,781</u>	<u>1,848,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows, Pension Related	83,693	29,406	113,099
Deferred Inflows, OPEB Related	<u>142,831</u>	<u>50,184</u>	<u>193,015</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>1,659,303</u>	<u>610,379</u>	<u>2,269,682</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,254,975	5,377,645	8,632,620
Restricted	1,364,664	-	1,364,664
Unrestricted, Undesignated (Deficit)	<u>(279,601)</u>	<u>217,182</u>	<u>(62,419)</u>
<b>TOTAL NET POSITION</b>	<u>4,340,038</u>	<u>5,594,827</u>	<u>9,934,865</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 5,999,341</u>	<u>\$ 6,205,206</u>	<u>\$ 12,204,547</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, 2019**

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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 529,285	\$ 46,040	\$ 402,550	\$ -	\$ (80,695)	\$ -	\$ (80,695)
Public Safety	444,971	-	140,200	-	(304,771)	-	(304,771)
Public Works	19,488	-	181,572	13,330	175,414	-	175,414
Culture and Recreation	180,266	-	-	-	(180,266)	-	(180,266)
Health and Welfare	3,849	6,285	-	-	2,436	-	2,436
Interest on Long-Term Debt	490	-	-	-	(490)	-	(490)
Total Governmental Activities	<u>1,178,349</u>	<u>52,325</u>	<u>724,322</u>	<u>13,330</u>	<u>(388,372)</u>	<u>-</u>	<u>(388,372)</u>
<b>Business-Type Activities</b>							
Sewer / AWTT	205,852	131,195	-	-	-	(74,657)	(74,657)
Solid Waste Services	137,365	163,105	-	-	-	25,740	25,740
Water	395,252	204,351	-	-	-	(190,901)	(190,901)
Meter Deposits	114,064	114,783	-	-	-	719	719
Total Business-Type Activities	<u>\$ 852,533</u>	<u>\$ 613,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (239,099)</u>	<u>(239,099)</u>
<b>General Revenues:</b>							
Property Taxes					31,193	-	31,193
Franchise Taxes					3,878	-	3,878
Gross Receipts Tax					288,198	-	288,198
Public Service Taxes					57,937	-	57,937
Interest Income					-	3,895	3,895
Licenses and Fees					20,313	-	20,313
Transfers, Net					(6,114)	6,114	-
Miscellaneous Income					1,156	-	1,156
Subtotal, General Revenues					<u>396,561</u>	<u>10,009</u>	<u>406,570</u>
Change in Net Position					8,189	(229,090)	(220,901)
Beginning Net Position					6,447,018	2,646,834	9,093,852
Restatement					<u>(2,115,169)</u>	<u>3,177,083</u>	<u>1,061,914</u>
Net Position as Restated					<u>4,331,849</u>	<u>5,823,917</u>	<u>10,155,766</u>
<b>Ending Net Position</b>					<u>\$ 4,340,038</u>	<u>\$ 5,594,827</u>	<u>\$ 9,934,865</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General Fund</u>	<u>Inter- Governmental Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 749,486	\$ 51,874	\$ 297,195	\$ 1,098,555
Restricted Cash	999,091	-	-	999,091
Investments	88,040	-	-	88,040
Taxes Receivable	51,792	-	4,164	55,956
Other Receivables	809	-	13,330	14,139
<b>TOTAL ASSETS</b>	<u>\$ 1,889,218</u>	<u>\$ 51,874</u>	<u>\$ 314,689</u>	<u>\$ 2,255,781</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,331	\$ -	\$ 1,021	\$ 7,352
Accrued Liabilities	8,797	-	-	8,797
<b>TOTAL LIABILITIES</b>	<u>15,128</u>	<u>-</u>	<u>1,021</u>	<u>16,149</u>
<b>FUND BALANCES</b>				
Restricted for:				
General Fund (Library)	999,091	-	-	999,091
Special Revenue Funds	-	51,874	300,369	352,243
Capital Projects Funds	-	-	13,330	13,330
Debt Service Funds	-	-	-	-
Unassigned:				
General Fund	874,999	-	(31)	874,968
<b>TOTAL FUND BALANCES</b>	<u>1,874,090</u>	<u>51,874</u>	<u>313,668</u>	<u>2,239,632</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,889,218</u>	<u>\$ 51,874</u>	<u>\$ 314,689</u>	<u>\$ 2,255,781</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, 2019**

**Total Fund Balance - Governmental Funds** \$ 2,239,632

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	5,432,255	
Less: Accumulated Depreciation	<u>(1,980,120)</u>	
Capital Assets, Net		<u>3,452,135</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	285,069
Deferred Outflows of Resources Related to GASB 75 - OPEB	6,356
Deferred Inflows of Resources Related to GASB 68 - Pension	(83,693)
Deferred Inflows of Resources Related to GASB 75 - OPEB	<u>(142,831)</u>

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:

Net Pension Liability	(825,852)	
Net OPEB Liability	(370,045)	
Accrued Compensated Absences	(23,573)	
Long-Term Debt	<u>(197,160)</u>	
Total		<u>(1,416,630)</u>

**Net Position of Governmental Activities** \$ 4,340,038

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Inter- Governmental Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 355,846	\$ -	\$ 25,360	\$ 381,206
State Grants	435,038	-	302,602	737,640
Federal Grants	-	-	-	-
Charges for Services	51,937	-	-	51,937
Licenses and Fees	15,870	-	4,843	20,713
Investment Income	-	-	-	-
Miscellaneous	1,156	-	-	1,156
<b>TOTAL REVENUES</b>	<u>859,847</u>	<u>-</u>	<u>332,805</u>	<u>1,192,652</u>
<b>EXPENDITURES</b>				
Current				
General Government	285,347	-	33	285,380
Public Safety	337,158	-	68,202	405,360
Public Works	-	-	19,488	19,488
Culture and Recreation	180,266	-	-	180,266
Health and Welfare	3,849	-	-	3,849
Capital Outlay	-	-	55,714	55,714
Debt Service - Principal	-	-	12,010	12,010
Debt Service - Interest	-	-	490	490
<b>TOTAL EXPENDITURES</b>	<u>806,620</u>	<u>-</u>	<u>155,937</u>	<u>962,557</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>53,227</u>	<u>-</u>	<u>176,868</u>	<u>230,095</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	80,268	-	-	80,268
Transfers out	-	-	(86,382)	(86,382)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>80,268</u>	<u>-</u>	<u>(86,382)</u>	<u>(6,114)</u>
<b>NET CHANGE IN FUND BALANCES</b>	133,495	-	90,486	223,981
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,740,595</u>	<u>51,874</u>	<u>223,182</u>	<u>2,015,651</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,874,090</u>	<u>\$ 51,874</u>	<u>\$ 313,668</u>	<u>\$ 2,239,632</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, 2019**

**Net Changes in Fund Balance - Governmental Funds** \$ 223,981

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	55,714
Depreciation Expense - General Government	(137,724)
Depreciation Expense - Public Safety	(39,611)

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	(107,123)
OPEB Expense	9,082

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	12,010
(Increase) Decrease in Accrued Interest Payable	137
(Increase) Decrease in Compensated Absences	<u>(8,277)</u>

**Change in Net Position of Governmental Activities** \$ 8,189

**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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 595,766	\$ 595,766	\$ 356,595	\$ (239,171)
State Grants	132,515	132,515	435,038	302,523
Federal Grants	-	-	-	-
Charges for Services	45,640	45,640	51,887	6,247
Licenses and Fees	11,250	11,250	15,870	4,620
Investment Income	-	-	-	-
Miscellaneous	50	50	1,156	1,106
<b>TOTAL REVENUES</b>	<b>785,221</b>	<b>785,221</b>	<b>860,546</b>	<b>75,325</b>
<b>EXPENDITURES</b>				
Current				
General Government	740,729	789,313	285,172	504,141
Public Safety	13,405	13,405	342,619	(329,214)
Public Works	-	-	-	-
Culture and Recreation	131,753	131,753	189,340	(57,587)
Health and Welfare	-	-	3,849	(3,849)
Capital Outlay	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>885,887</b>	<b>934,471</b>	<b>820,980</b>	<b>113,491</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(100,666)</b>	<b>(149,250)</b>	<b>39,566</b>	<b>(38,166)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Designated Cash	-	-	-	-
Transfers in	80,268	80,268	-	80,268
Transfers out	-	(80,268)	(2,567)	(77,701)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>80,268</b>	<b>-</b>	<b>(2,567)</b>	<b>2,567</b>
<b>Net Increase (Decrease)</b>	<b>(20,398)</b>	<b>(149,250)</b>	<b>36,999</b>	<b>\$ (35,599)</b>
<b>Prior Year Cash Balance Budgeted</b>	<b>\$ -</b>	<b>\$ 149,250</b>		

**Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:**

Revenues, Actual on a Budget Basis	\$ 860,546
Revenues, Actual on Modified Accrual Basis	940,115
Adjustments to Revenue	\$ (79,569)
Expenditures, Actual on a Budget Basis	\$ 823,547
Expenditures, Actual on Modified Accrual Basis	806,620
Adjustments to Expenditures	\$ 16,927

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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Designated Cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>Prior Year Cash Balance Budgeted</b>	<u>\$ -</u>	<u>\$ -</u>		

**Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:**

Revenues, Actual on a Budget Basis	\$ -
Revenues, Actual on Modified Accrual Basis	-
Adjustments to Revenue	<u>\$ -</u>
Expenditures, Actual on a Budget Basis	\$ -
Expenditures, Actual on Modified Accrual Basis	-
Adjustments to Expenditures	<u>\$ -</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
PROPRIETARY FUNDS  
STATEMENTS OF NET POSITION  
JUNE 30, 2019**

	<b>Sewer / AWWT Fund</b>	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Meter Deposits</b>	<b>Total Joint Utility</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 212,066	\$ 121,736	\$ 241,460	\$ 38,209	\$ 613,471
Accounts Receivable, Net	15,594	13,502	30,452	-	59,548
<b>TOTAL CURRENT ASSETS</b>	<u>227,660</u>	<u>135,238</u>	<u>271,912</u>	<u>38,209</u>	<u>673,019</u>
<b>NONCURRENT ASSETS</b>					
Capital Assets	3,057,472	-	5,023,122	-	8,080,594
Less: Accumulated Depreciation	<u>(1,546,531)</u>	<u>-</u>	<u>(1,104,268)</u>	<u>-</u>	<u>(2,650,799)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,510,941</u>	<u>-</u>	<u>3,918,854</u>	<u>-</u>	<u>5,429,795</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows, Pension Related	-	-	100,159	-	100,159
Deferred Outflows, OPEB Related	-	-	2,233	-	2,233
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 1,738,601</u>	<u>\$ 135,238</u>	<u>\$ 4,293,158</u>	<u>\$ 38,209</u>	<u>\$ 6,205,206</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 1,671	\$ 11,878	\$ 1,888	\$ -	\$ 15,437
Accrued Liabilities	580	-	2,287	-	2,867
Accrued Interest Payable	-	-	-	-	-
Meter Deposits Payable	-	-	-	38,209	38,209
Compensated Absences	-	-	1,946	-	1,946
Notes Payable, Current	-	-	4,549	-	4,549
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,251</u>	<u>11,878</u>	<u>10,670</u>	<u>38,209</u>	<u>63,008</u>
<b>NONCURRENT LIABILITIES</b>					
Notes Payable, Noncurrent	-	-	47,601	-	47,601
Net Pension Liability	-	-	290,164	-	290,164
Net OPEB liability	-	-	130,016	-	130,016
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>467,781</u>	<u>-</u>	<u>467,781</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows, Pension Related	-	-	29,406	-	29,406
Deferred Inflows, OPEB Related	-	-	50,184	-	50,184
<b>TOTAL LIABILITIES AND DEFERRED OUTFLOWS</b>	<u>2,251</u>	<u>11,878</u>	<u>558,041</u>	<u>38,209</u>	<u>610,379</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,510,941	-	3,866,704	-	5,377,645
Unrestricted	<u>225,409</u>	<u>123,360</u>	<u>(131,587)</u>	<u>-</u>	<u>217,182</u>
<b>TOTAL NET POSITION</b>	<u>1,736,350</u>	<u>123,360</u>	<u>3,735,117</u>	<u>-</u>	<u>5,594,827</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,738,601</u>	<u>\$ 135,238</u>	<u>\$ 4,293,158</u>	<u>\$ 38,209</u>	<u>\$ 6,205,206</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, 2019**

	<b>Sewer / AWWT Fund</b>	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Meter Deposits</b>	<b>Total Joint Utility</b>
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 131,195	\$ 163,105	\$ 204,351	\$ 114,783	\$ 613,434
<b>TOTAL OPERATING REVENUES</b>	<u>131,195</u>	<u>163,105</u>	<u>204,351</u>	<u>114,783</u>	<u>613,434</u>
<b>OPERATING EXPENSES</b>					
Operating Expenses	48,845	137,365	72,213	4,991	263,414
Travel	-	-	255	-	255
Gross Receipts Tax	-	-	7,859	-	7,859
Depreciation Expense	121,067	-	150,521	-	271,588
Contract Services	273	-	-	109,073	109,346
Salaries	35,667	-	155,351	-	191,018
Supplies	-	-	7,356	-	7,356
<b>TOTAL OPERATING EXPENSES</b>	<u>205,852</u>	<u>137,365</u>	<u>393,555</u>	<u>114,064</u>	<u>850,836</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(74,657)</u>	<u>25,740</u>	<u>(189,204)</u>	<u>719</u>	<u>(237,402)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest Income	-	-	-	3,895	3,895
Interest Expense	-	-	(1,697)	-	(1,697)
Transfers In	-	-	10,728	-	10,728
Transfers Out	-	-	-	(4,614)	(4,614)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>-</u>	<u>-</u>	<u>9,031</u>	<u>(719)</u>	<u>8,312</u>
<b>CHANGE IN NET POSITION</b>	<u>(74,657)</u>	<u>25,740</u>	<u>(180,173)</u>	<u>-</u>	<u>(229,090)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	196,499	97,620	2,352,715	-	2,646,834
<b>RESTATEMENT</b>	<u>1,614,508</u>	<u>-</u>	<u>1,562,575</u>	<u>-</u>	<u>3,177,083</u>
<b>NET POSITION, AS RESTATED</b>	<u>1,811,007</u>	<u>97,620</u>	<u>3,915,290</u>	<u>-</u>	<u>5,823,917</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,736,350</u>	<u>\$ 123,360</u>	<u>\$ 3,735,117</u>	<u>\$ -</u>	<u>\$ 5,594,827</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, 2019**

	<u>Sewer / AWWT Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Meter Deposits</u>	<u>Total Joint Utility</u>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Cash Received from User Charges	\$ 131,195	\$ 163,105	\$ 204,351	\$ 114,783	\$ 613,434
Cash Payments to Employees for Services	(48,845)	(126,476)	(72,213)	(4,991)	(252,525)
Cash Payments to Suppliers for Goods and Services	(39,500)	-	(187,488)	(107,414)	(334,402)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>42,850</u>	<u>36,629</u>	<u>(55,350)</u>	<u>2,378</u>	<u>26,507</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>					
Compensated Absences Expense	-	-	(2,506)	-	(2,506)
Interest Income (Expense)	-	-	(1,697)	3,895	2,198
Net Transfers	-	-	10,728	(4,614)	6,114
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>6,525</u>	<u>(719)</u>	<u>5,806</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>					
Adjustments to Capital Assets	-	-	-	-	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	42,850	36,629	(48,825)	1,659	32,313
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>169,216</u>	<u>85,107</u>	<u>290,285</u>	<u>36,550</u>	<u>581,158</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 212,066</u>	<u>\$ 121,736</u>	<u>\$ 241,460</u>	<u>\$ 38,209</u>	<u>\$ 613,471</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	(74,657)	25,740	(189,204)	719	(237,402)
Depreciation Expense	121,067	-	150,521	-	271,588
Changes in Receivables	(5,584)	1,989	(7,557)	-	(11,152)
Changes in Accounts Payable	287	11,878	(3,233)	1,659	10,591
Changes in Accrued Liabilities	1,737	(2,978)	(5,877)	-	(7,118)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 42,850</u>	<u>\$ 36,629</u>	<u>\$ (55,350)</u>	<u>\$ 2,378</u>	<u>\$ 26,507</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, 2019**

**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, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and fund financial statements (continued)**

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.

**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, 2019.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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

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.

***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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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.

**D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund 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.

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Equity (continued)**

**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, 2019.

**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 & Improvements	15-39
Road & Improvements	30
Vehicles	5
Equipment	5-15
Utility Plan in Service	15-40

**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. No unearned revenues were reported as of June 30, 2019.

**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 \$393,817 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.

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Equity (continued)**

**Deferred Outflows / Inflows of Resources (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 \$306,114 as of June 30, 2019. 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 (vacation) leave according to a graduated schedule, depending on the length of service. Employees may accumulate annual leave and carry forward a maximum of 160 hours (20 days) from calendar year to calendar year. Upon termination employees will be paid up to 160 hours (20 days) of accrued annual leave. Qualified employees are entitled to accumulate compensatory time in lieu of overtime payment at the rate of one and one half (1 ½) hours for each hour worked in excess of 40 hours of actual time worked. Employees may accumulate a maximum of 150 hours of compensatory time for 100 hours of overtime worked. Upon termination the employee will be paid for the unused balance of accrued compensatory time. Qualified employees are entitled to accumulate sick leave at a rate of eight hours each month. A maximum of 800 hours of sick leave can be carried over from year to year. Upon resignation, lay off or involuntary dismissal, employees receive no pay for unused sick leave.

Vested or accumulated leave is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary 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.

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Equity (continued)**

**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.

**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.

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**STATE OF NEW MEXICO  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Equity (continued)**

**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 1/12<sup>th</sup> of the General Fund's expenditures \$77,873 for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

**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 'measurable' 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.

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**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
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**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, 2019 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.

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019.

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:

<b>Type of Account</b>	<b>State</b>			<b>United</b>	<b>Total</b>
	<b>Wells Fargo</b>	<b>Employees Credit Union</b>	<b>US Bank</b>	<b>Business Bank</b>	
Checking Accounts	\$ 1,956,474	\$ 5,930	\$ -	\$ -	\$ 1,962,404
Savings / CDs	45,284	228,898	242,359	242,105	758,646
<b>Total by Bank</b>	2,001,758	234,828	242,359	242,105	2,721,050
Less: FDIC Coverage	(500,000)	(234,828)	(242,359)	(242,105)	(1,219,292)
<b>Total Uninsured Public Funds</b>	1,501,758	-	-	-	1,501,758
50% Collateralization Requirement	750,879	-	-	-	750,879
Pledged Securities	1,022,543	-	-	-	1,022,543
<b>(Over) Under collateralized</b>	<u>\$ (271,664)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (271,664)</u>

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

A reconciliation of cash and temporary investments can be found in the *Supporting Schedules* of this report. The following schedule is a breakout of deposits and investments:

<b><u>Cash and Investment Per Net Position</u></b>	
Cash and Cash Equivalents	\$ 1,712,026
Restricted Cash for Library Bldg. Fund	999,091
Investments	<u>88,040</u>
<b>Total Cash and Investments</b>	<b><u>\$ 2,799,157</u></b>

*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.

*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. As of June 30, 2019, the Town’s investment balance of \$88,040 was exposed to custodial credit risk

*Restricted Cash:* Cash of \$999,091 is restricted due to provisions of Resolution 1998-17 Williams Memorial Library Bequest, to be used by the Library Building Fund.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 4. Receivables**

Receivables as of June 30, 2019, are as follows:

*Governmental Activities:*

	<b>General Fund</b>	<b>State Gasoline Tax Fund</b>	<b>Grants Capital Projects Fund</b>	<b>Total</b>
Taxes Receivable	\$ 51,792	\$ 4,164	\$ -	\$ 55,956
Other Accounts Receivable	809	-	13,330	14,139
<b>Total</b>	<b>\$ 52,601</b>	<b>\$ 4,164</b>	<b>\$ 13,330</b>	<b>\$ 70,095</b>

The above governmental receivables are deemed by management to be fully collectible.

*Business-Type Activities:*

	<b>Sewer/ AWWT Fund</b>	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Total</b>
Accounts Receivable, Net	\$ 15,594	\$ 13,502	\$ 30,452	\$ 59,548

The above business-type receivables have no provisions for allowance for doubtful accounts at management's discretion.

**NOTE 5. Transfers**

Transfers for the fiscal year 2019 consisted of the following:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 80,268	\$ -
Debt Service Fund	-	6,114
Williams Library Fund	-	19,273
Grant Capital Projects Fund	-	60,995
Meter Deposits	-	4,614
Water Fund	10,728	-
<b>Total</b>	<b>\$ 90,996</b>	<b>\$ 90,996</b>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows:

*Governmental Activities:*

	<b>*Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Accounting Software	25,353	-	-	25,353
Land	257,541	-	-	257,541
Total Capital Assets Not Being Depreciated	<u>282,894</u>	<u>-</u>	<u>-</u>	<u>282,894</u>
Capital Assets Being Depreciated:				
Building & Improvements	2,549,485	-	-	2,549,485
Road & Improvements	1,929,465	30,714	-	1,960,179
Vehicles	556,548	25,000	-	581,548
Equipment	58,149	-	-	58,149
Total Capital Assets Being Depreciated	<u>5,093,647</u>	<u>55,714</u>	<u>-</u>	<u>5,149,361</u>
Total Capital Assets	<u>5,376,541</u>	<u>55,714</u>	<u>-</u>	<u>5,432,255</u>
Less: Accumulated Depreciation for:				
Building & Improvements	953,288	69,809	-	1,023,097
Road & Improvements	326,127	64,915	-	391,042
Vehicles	505,113	31,356	-	536,469
Equipment	18,257	11,255	-	29,512
Total Accumulated Depreciation	<u>1,802,785</u>	<u>177,335</u>	<u>-</u>	<u>1,980,120</u>
<b>Capital Assets, Net</b>	<u>\$ 3,573,756</u>	<u>\$ (121,621)</u>	<u>\$ -</u>	<u>\$ 3,452,135</u>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions:

- General Government: \$137,724
- Public Safety: \$39,611

*\*As Restated*

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 6. Capital Assets (continued)**

*Business-Type Activities:*

	<b>*Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 11,529	\$ -	\$ 11,529
Water Rights	2,155,736	-	-	2,155,736
Land	21,432	-	-	21,432
Total Capital Assets Not Being Depreciated	<u>2,177,168</u>	<u>11,529</u>	<u>-</u>	<u>2,188,697</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	175,000	-	-	175,000
Equipment	317,036	-	-	317,036
Vehicles	101,069	-	42,662	58,407
Utility Plant in Service	5,341,454	-	-	5,341,454
Total Capital Assets Being Depreciated	<u>5,934,559</u>	<u>-</u>	<u>42,662</u>	<u>5,891,897</u>
Total Capital Assets	<u>8,111,727</u>	<u>11,529</u>	<u>42,662</u>	<u>8,080,594</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	71,792	4,487	-	76,279
Equipment	192,544	20,485	-	213,029
Vehicles	77,373	11,080	42,105	46,348
Utility Plant in Service	2,079,607	235,536	-	2,315,143
Total Accumulated Depreciation	<u>2,421,316</u>	<u>271,588</u>	<u>42,105</u>	<u>2,650,799</u>
<b>Capital Assets, Net</b>	<u>\$ 5,690,411</u>	<u>\$ (260,059)</u>	<u>\$ 557</u>	<u>\$ 5,429,795</u>

Depreciation expense relating to business-type activities for the year ended June 30, 2019 was \$271,588.

*\*As Restated*

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**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 7. Long-term Debt**

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

*Governmental Activities:*

	<b>*Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
NMFA Water Tank	\$ 115,725	\$ -	\$ (7,098)	\$ 108,627	\$ 7,116
281 Water Trust Board	80,084	-	(4,912)	75,172	4,924
Design, Drill New Well	13,229	132	-	13,361	614
Compensated Absences Payable	15,296	13,310	(5,033)	23,573	23,573
<b>Total Long-Term Debt</b>	<b>\$ 224,334</b>	<b>\$ 13,442</b>	<b>\$ (17,043)</b>	<b>\$ 220,733</b>	<b>\$ 36,227</b>

*\*As Restated*

Interest expense paid on governmental activities long-term debt totaled \$490 for the year ended June 30, 2019 as reported on the statement of activities.

The annual requirements to amortize the governmental activities long-term debt as of June 30, 2019, including interest payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 12,654	\$ 487	\$ 13,141
2021	12,809	461	13,270
2022	12,841	428	13,269
2023	12,872	396	13,268
2024	12,905	364	13,269
2025-2029	65,010	1,334	66,344
2030-2034	65,827	518	66,345
2035-2039	2,242	10	2,252
Total	<b>\$ 197,160</b>	<b>\$ 3,998</b>	<b>\$ 201,158</b>

*Business-Type Activities:*

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
NMED RIP Water Storage	\$ 56,567	\$ -	\$ (4,417)	\$ 52,150	\$ 4,549
Compensated Absences Payable	4,452	2,703	(5,209)	1,946	1,946
<b>Total Long-Term Debt</b>	<b>\$ 61,019</b>	<b>\$ 2,703</b>	<b>\$ (9,626)</b>	<b>\$ 54,096</b>	<b>\$ 6,495</b>

Interest expense paid on business-type activities long-term debt totaled \$1,697 for the year ended June 30, 2019 as reported on the statement of revenues, expenses and changes in net position.

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**STATE OF NEW MEXICO  
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FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 7. Long-term Debt (continued)**

The annual requirements to amortize the long-term debt of NMED RIP, Storage Water/Delivery Tank as of June 30, 2019, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,549	\$ 1,565	\$ 6,114
2021	4,686	1,428	6,114
2022	4,826	1,288	6,114
2023	4,971	1,143	6,114
2024	5,120	994	6,114
2025-2029	27,998	2,568	30,566
Total	<u>\$ 52,150</u>	<u>\$ 8,986</u>	<u>\$ 61,136</u>

**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.
- A lease for alarm monitoring at the Town entered which is renewed annually at a monthly cost of \$35.

Future minimum payments under these leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 3,992
2021	3,517
2022	3,043
2023	639
2024	420
<b>Total</b>	<u>\$ 11,611</u>

The lease expense for the year ended June 30, 2019 was \$4,413.

**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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**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, 2019, 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: The Debt Service Fund (415) had a deficit balances at June 30, 2019 of \$31. Fund deficits are funded by general fund transfers or by grant revenues.
- Excess of expenditures over appropriations. There were not any funds with expenditures in excess of the budgeted appropriations.
- Designated cash appropriations in excess of available balances. There were not any funds that exceeded approved budgetary authority for the year ended June 30, 2019.

**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 had no construction commitments for the year ended June 30, 2019.

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**NOTE 14. Public Employees Retirement Association - 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.

**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 FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA fiscal year 2018 annual audit report at:  
<http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.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, 2018. 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, 2018. 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.



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**NOTE 14. Public Employees Retirement Association - Pension Plans (continued)**

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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2018 to June 30, 2019 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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.

**For PERA Fund Division Municipal Plan 2:** At June 30, 2019, the Town reported a liability of \$618,616 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was 0.0388%, which was a decrease of 0.0026% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town – PERA Division Municipal Plan 2 recognized pension expense of \$97,499 per the June 30, 2018 PERA *Schedules of Employer Allocations and Pension Amounts*. At June 30, 2019, 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	\$ 17,879	\$ 16,241
Changes of assumptions	56,086	3,557
Net difference between projected and actual earnings on pension plan investments	45,880	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	31,540	23,976
The Town's contributions subsequent to the measurement date	30,286	-
<b>Total</b>	<u>\$ 181,671</u>	<u>\$ 43,774</u>

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**STATE OF NEW MEXICO  
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**NOTE 14. Public Employees Retirement Association - Pension Plans (continued)**

\$30,286 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, 2019. 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>
2020	\$ 81,204
2021	26,113
2022	(1,930)
2023	2,224
2024	-
Total	<u>\$ 107,611</u>

**For PERA Fund Division Municipal Police Plan 3**, at June 30, 2019, the Town reported a liability of \$497,400 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was 0.0729%, which increased 0.0108% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized PERA Fund Division Municipal Police Plan 3 pension expense of \$80,440 per the June 30, 2018 PERA *Schedules of Employer Allocations and Pension Amounts*. At June 30, 2019, the Town 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	\$ 24,351	\$ 49,305
Changes of assumptions	56,754	3,041
Net difference between projected and actual earnings on pension plan investments	34,228	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	71,301	16,979
The Town's contributions subsequent to the measurement date	16,923	-
<b>Total</b>	<u>\$ 203,557</u>	<u>\$ 69,325</u>

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**NOTE 14. Public Employees Retirement Association - Pension Plans (continued)**

\$16,923 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, 2019. 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>
2020	\$ 69,781
2021	18,883
2022	26,704
2023	1,941
2024	-
Total	<u>\$ 117,309</u>

**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, 2017 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 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
<b>Actuarial assumptions:</b>	
Investment rate of return	7.25% annual rate
Projected benefit payment	100 years
Payroll growth	3.00% annual rate
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% annual rate
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups

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**NOTE 14. Public Employees Retirement Association - Pension Plans (continued)**

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to Include Real Estate	<u>20.00%</u>	6.48%
Total	<u>100.0%</u>	

**Discount rate:** Previously, a select and ultimate rate of return assumption had been adopted for funding purposes, but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. 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 Statement No. 67. Therefore, the 7.25% 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.

**STATE OF NEW MEXICO  
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**NOTE 14. Public Employees Retirement Association - Pension Plans (continued)**

**Sensitivity of the Town'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 County'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 (6.25%) or one percentage point higher (8.25%) that the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
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The Town's proportionate share of the net pension liability	\$ 953,246	\$ 618,616	\$ 341,991
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<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
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The Town's proportionate share of the net pension liability	\$ 764,797	\$ 497,400	\$ 279,408
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Payables to the pension plan. At June 30, 2019, the Town had \$1,298 of contributions to the pension plan payable.

**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.

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**NOTE 15. Post-Employment Benefits (continued)**

*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](http://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.

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, 2019, 2018 and 2017 were \$8,589, \$10,775, and \$10,506, respectively, which equal the required contributions for each year.

**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.

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**NOTE 15. Post-Employment Benefits (continued)**

**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, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 51,205
Inactive and eligible for deferred benefits	11,471
Current Active Members	<u>93,349</u>
	<u>\$ 156,025</u>
Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal General	17,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>\$ 93,349</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 \$8,589 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$500,061 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the Town's proportion was 0.01150 percent.

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**NOTE 16: Postemployment Benefits Other Than Pensions (continued)**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$9,082. At June 30, 2019 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	\$ -	\$ 29,607
Changes of Assumptions	-	93,359
Difference between actual and projected earnings on OPEB plan investments	-	6,241
Change in Proportion	-	63,808
Contributions made after the measurement date	<u>8,589</u>	<u>-</u>
Total	<u>\$ 8,589</u>	<u>\$ 193,015</u>

Deferred outflows of resources totaling \$8,589 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	\$	(46,348)
2020		(46,348)
2021		(46,348)
2022		(38,871)
2023		<u>(15,100)</u>
Total	\$	<u>(193,015)</u>

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**NOTE 16: Postemployment Benefits Other Than Pensions (continued)**

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

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	2.50% for ERB members
Projected payroll increases	3.50% to 12.50%, based on years of service, including inflation
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 medicl 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%	2.1%
U.S equity - large cap	20%	7.1%
Non U.S. - emerging markets	15%	10.2%
Non U.S - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S equity - small / mid cap	3%	7.1%

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**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, 2018. 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$ 605,191	\$ 500,061	\$ 417,195

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
\$ 422,727	\$ 500,061	\$ 560,692

*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, 2018.

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the Town reported a payable of \$144 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

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**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, 2019**

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

**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. New Accounting Standards**

The Town reviewed subsequent pronouncements to June 30, 2019 issued by GASB noting the following statements that may have a potential material effect on the Town's financial statements in subsequent periods.

**GASB 87**

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 2021) with earlier application encouraged.

**NOTE 19. Restatement**

During fiscal year 2019, the Town hired a consultant to analyze and update the Town's capital assets listing as well as the depreciation schedules. As a result of this work, adjustments were made by the Town to their capital assets listing. This caused a need for a restatement of the Town's government-wide financial statements on the statement of activities and the proprietary fund statement of revenues, expenses and changes in net position. The amounts of restatements were:

- (\$2,101,808) for the governmental activities
- \$3,177,083 for the business- type activities

The Town was also party to a loan from NMFA as of June 30, 2018 that was not reported. The restatement amount resulting from this is (\$13,361) for the governmental activities.

**NOTE 20. Tax Abatements**

The Town has evaluated GASB 77 with regard to tax abatements and has determined that the Town is not a party to the any agreements that abate taxes.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 21. Subsequent Review**

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 12, 2019 which is the date on which the financial statements were available to be issued.

See Independent Auditors' Report

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
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\***

**MUNICIPAL GENERAL FUND**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.0388%	0.0414%	0.0387%
Town's proportionate share of the net pension liability	\$ 618,616	\$ 568,871	\$ 618,295
Town's covered-employee payroll	\$ 317,131	\$ 468,475	\$ 316,891
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.07%	121.43%	195.11%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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%	

\*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 THE  
NET PENSION LIABILITY OF PERA FUND DIVISION - MUNICIPAL POLICE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

**MUNICIPAL POLICE FUND**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion of the net pension liability	0.0729%	0.0621%	0.0683%
Town's proportionate share of the net pension liability	\$ 497,400	\$ 345,006	\$ 503,937
Town's covered-employee payroll	\$ 89,541	\$ 174,164	\$ 128,086
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	555.50%	198.09%	393.44%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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%	

\*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 – Municipal General  
Last Ten Fiscal Years\***

**MUNICIPAL GENERAL FUND**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 30,286	\$ 44,739	\$ 30,263
Contributions in relation to the contractually required contribution	<u>30,286</u>	<u>44,739</u>	<u>59,095</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,832)</u>
Town's covered-employee payroll	\$ 317,131	\$ 468,475	\$ 316,891
Contributions as a percentage of covered-employee payroll	9.55%	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 percentage 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 – Municipal Police  
Last Ten Fiscal Years\***

**MUNICIPAL POLICE FUND**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 16,923	\$ 32,917	\$ 24,208
Contributions in relation to the contractually required contribution	<u>16,923</u>	<u>32,917</u>	<u>24,208</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 89,541	\$ 174,164	\$ 128,086
Contributions as a percentage of covered-employee payroll	18.90%	18.90%	18.90%
	<u>2016</u>	<u>2015</u>	
Contributions in relation to the contractually required contribution	\$ 30,925	\$ 36,824	
Contribution deficiency (excess)	<u>44,085</u>	<u>29,663</u>	
Town's covered-employee payroll	<u>\$ (13,160)</u>	<u>\$ 7,161</u>	
Contributions as a percentage of covered-employee payroll	\$ 163,626	\$ 194,837	
	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  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
Employer's proportion of the net OPEB liability	0.01150%	0.01289%
Employer's proportionate share of the net OPEB liability	\$ 500,061	\$ 584,133
Employer covered employee payroll	\$ 493,421	\$ 498,857
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	101.35%	117.09%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 17,971	\$ 10,775
Less: Contributions in relation to the contractually required contributions	<u>17,751</u>	<u>10,775</u>
	<u>\$ 220</u>	<u>\$ -</u>
Employer's covered employee payroll	\$ 493,421	\$ 498,857
Contributions as a percentage of covered employee payroll	3.64%	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.

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

***Changes of benefit terms:***

The Public Employees Retirement Association's (PERA) COLA and retirement benefits changes in recent years are described in *Note 1* of PERA's CAFR at:

<http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.pdf>.

The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA fiscal year 2018 audit available at

<http://saonm.org/> using the Audit Search function for agency 343.

***Assumptions:***

The Public Employees Retirement Association (PERA) of New Mexico's Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>.

The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 343.

See Independent Auditors' Report

**NON-MAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NON-MAJOR FUND DESCRIPTIONS  
JUNE 30, 2019**

**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.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NON-MAJOR FUND DESCRIPTIONS  
JUNE 30, 2019**

**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, 2019**

	Special Revenue				
	Local Gov't Corrections Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	State Gasoline Tax Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 13,077	\$ 443	\$ 31,251	\$ 16,296	\$ 235,247
Restricted Cash	-	-	-	-	-
Investments	-	-	-	-	-
Taxes Receivable	-	-	-	-	4,164
Other Receivables	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 13,077</u>	<u>\$ 443</u>	<u>\$ 31,251</u>	<u>\$ 16,296</u>	<u>\$ 239,411</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 54	\$ -	\$ 353	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>54</u>	<u>-</u>	<u>353</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	13,023	443	30,898	16,296	239,411
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Unassigned:					
General Fund	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>13,023</u>	<u>443</u>	<u>30,898</u>	<u>16,296</u>	<u>239,411</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 13,077</u>	<u>\$ 443</u>	<u>\$ 31,251</u>	<u>\$ 16,296</u>	<u>\$ 239,411</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING BALANCE SHEET – NONMAJOR FUNDS - CONTINUED  
JUNE 30, 2019**

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

See Independent Auditors' Report

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING BALANCE SHEET – NONMAJOR FUNDS - CONTINUED  
JUNE 30, 2019**

	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	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 583	\$ 297,195
Restricted Cash	-	-	-	-	-
Investments	-	-	-	-	-
Taxes Receivable	-	-	-	-	4,164
Other Receivables	-	-	13,330	-	13,330
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,330</u>	<u>\$ 583</u>	<u>\$ 314,689</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ 614	\$ 1,021
Accrued Liabilities	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>1,021</u>
<b>FUND BALANCES</b>					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	300,369
Capital Projects Funds	-	-	13,330	-	13,330
Debt Service Funds	-	-	-	-	-
Unassigned:					
General Fund	-	-	-	(31)	(31)
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>13,330</u>	<u>(31)</u>	<u>313,668</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,330</u>	<u>\$ 583</u>	<u>\$ 314,689</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, 2019**

	Special Revenue				
	Local Gov't Corrections Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	State Gasoline Tax Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 25,360
State Grants	-	-	85,300	22,400	181,572
Federal Grants	-	-	-	-	-
Charges for Services	-	-	-	-	-
Licenses and Fees	4,843	-	-	-	-
Investment Income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>4,843</u>	<u>-</u>	<u>85,300</u>	<u>22,400</u>	<u>206,932</u>
<b>EXPENDITURES</b>					
Current					
General Government	-	-	-	-	-
Public Safety	1,467	(55)	60,570	6,220	-
Public Works	-	-	-	-	19,488
Culture and Recreation	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Capital Outlay	-	-	25,000	-	30,714
Debt Service - Principal	-	-	-	-	-
	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,467</u>	<u>(55)</u>	<u>85,570</u>	<u>6,220</u>	<u>50,202</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,376</u>	<u>55</u>	<u>(270)</u>	<u>16,180</u>	<u>156,730</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,376	55	(270)	16,180	156,730
<b>FUND BALANCE, BEGINNING OF YEAR</b>	9,647	388	31,168	116	82,681
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 13,023</u>	<u>\$ 443</u>	<u>\$ 30,898</u>	<u>\$ 16,296</u>	<u>\$ 239,411</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, 2019**

	Special Revenue		
	DWI Program Fund	Garnett Library Fund	YCC Fund
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
State Grants	-	-	-
Federal Grants	-	-	-
Charges for Services	-	-	-
Licenses and Fees	-	-	-
Investment Income	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
General Government	-	-	-
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Capital Outlay	-	-	-
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	298	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 298</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, 2019**

	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
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 25,360
State Grants	-	-	13,330	-	302,602
Federal Grants	-	-	-	-	-
Charges for Services	-	-	-	-	-
Licenses and Fees	-	-	-	-	4,843
Investment Income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>13,330</u>	<u>-</u>	<u>332,805</u>
<b>EXPENDITURES</b>					
Current					
General Government	-	-	-	33	33
Public Safety	-	-	-	-	68,202
Public Works	-	-	-	-	19,488
Culture and Recreation	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Capital Outlay	-	-	-	-	55,714
Debt Service - Principal	-	-	-	12,010	12,010
Debt Service - Interest	-	-	-	490	490
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,533</u>	<u>155,937</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>13,330</u>	<u>(12,533)</u>	<u>176,868</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(19,273)	(60,995)	(6,114)	(86,382)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(19,273)</u>	<u>(60,995)</u>	<u>(6,114)</u>	<u>(86,382)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(19,273)	(47,665)	(18,647)	90,486
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	19,273	60,995	18,616	223,182
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,330</u>	<u>\$ (31)</u>	<u>\$ 313,668</u>

See Independent Auditors' Report

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2019**

<b>Name of Depository</b>	<b>Description</b>	<b>CUSIP</b>	<b>Fair Market Value at 6/30/2019</b>	<b>Maturity Date</b>	<b>Name / Location of Safekeeper</b>
Wells Fargo	FMAC FGPC 3.000%	31292LW35	\$ 557	10/1/2042	Bank of NY - Mellon
Wells Fargo	FMNA FNMS 3.500%	3140FE5Q3	132,041	4/1/2047	Bank of NY - Mellon
Wells Fargo	FMNA FNMS 2.500%	31410LS86	1,399	5/1/2031	Bank of NY - Mellon
Wells Fargo	FMNA FNMS 3.000%	31417ES77	888,546	1/1/2043	Bank of NY - Mellon
<b>Total</b>			<u>\$ 1,022,543</u>		

See Independent Auditors' Report



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS  
JUNE 30, 2019**

<u>Bank Account Type / Name</u>	<u>Wells Fargo</u>	<u>State Empl. Credit Union</u>	<u>United Business Bank</u>	<u>US Bank</u>	<u>Total</u>
Checking	\$ 1,956,474	\$ -	\$ -	\$ -	\$ 1,956,474
Savings		5,930	-	-	5,930
Certificate of Deposit	45,284	228,898	242,105	242,359	758,646
<b>TOTAL PER BANK</b>	2,001,758	234,828	242,105	242,359	2,721,050
Reconciling Items	(12,938)	-	-	-	(12,938)
<b>RECONCILED BALANCE</b>	<u>\$ 1,988,820</u>	<u>\$ 234,828</u>	<u>\$ 242,105</u>	<u>\$ 242,359</u>	2,708,112
Petty Cash					450
State Treasurer's Office - LGIP					88,040
NMFA Cash					2,555
<b>Total Cash and Investments at June 30, 2019</b>					<b><u>\$ 2,799,157</u></b>
Cash and Cash Equivalents, Statement of Net Position					\$ 2,711,117
Investments, Statement of Net Position					88,040
<b>Total Cash and Investments at June 30, 2019</b>					<b><u>\$ 2,799,157</u></b>

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 Brian S. Colón, Esq.  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

To the Honorable Mayor and the Town Trustees  
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, 2019, 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 12, 2019. Our report disclaims an opinion on such financial statements because the Town was unable to provide sufficient evidential matter in support of cash balances and changes in fund balance/net position as presented in the Town's financial statements as of and for the year ended, June 30, 2019.

**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 finding to be material weaknesses: 2019-001 (2016-003).

### **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*.

### **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 12, 2019

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section I. Summary of Audit Results**

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of Auditors' Report Issued:                      | Disclaimer |
| 2. Internal Control Over Financial Reporting:            |            |
| a. Material weaknesses identified?                       | Yes        |
| b. Significant deficiencies identified?                  | No         |
| c. Noncompliance material to financial statements noted? | No         |

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section II. FINANCIAL STATEMENT FINDINGS**

**2019-001 (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 years of over-variances between audited cash and cash reported to the New Mexico Department of Finance and Administration (DFA) through the Local Government Budget Management System (LGBMS). The Town's June 30, 2019 trial balance has an excess cash amount of \$48,758 from the LGBMS fourth quarter report. This amount could not be attributed to any of the individual opinion units.

**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 engaging a consultant to assist in reconciling cash and allocating balances by fund. Audited cash should be reconciled to cash certified to DFA at the completion of each annual financial statement audit and the related activities should agree between the general ledger and the DFA reporting submitted through the Local Government Budget Management System (LGBMS).

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**2019-001 (2016-003) – Mismanagement of Pooled Cash, Material Weakness, Compliance and other Matter (repeated and revised from 2016 Special Investigation) (continued)**

**Management's Response:** The Clerk/Treasurer and Deputy Clerk agree with the Auditors comments. It appears that the Town's June 30, 2019 trial balance has an excess cash balance of \$48,758. We have reached out to our contracted financial assistant to see if more research can be done for find out exactly how this overage came to be. Once we have consulted with her, we will consider the auditors recommendation that, for FY2020, the Town should reconcile the General Ledger Cash balance to amounts reported to DFA and that the Town should propose and provide an audit entry to allocate accurate cash balances to each fund. The Town is moving to Caselle for our accounting system and we are on target to move at the beginning of FY21. We know that this new accounting software will help us to get an accurate accounting of all our cash balances and get us moving forward in the right direction.

We have continued the practice of presenting the Board of Trustees with a complete copy of the Town's P&L statements and DFA spreadsheets. We will continue to ensure transparency as we go forward to correct this final repeat finding.

**Responsible Party:** The Clerk/Treasurer and Deputy Clerk

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION III. STATUS OF PRIOR YEAR AUDIT FINDINGS**

**2005-001** – Capital Assets and Depreciation - Resolved

**2014-001** – Internal Controls Cash Receipts - Resolved

**2016-003** – Pooled Cash – Repeated

**2016-006** – Timeliness of Reversals – Resolved



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2019**

An exit conference was held on December 12, 2019 to discuss the results of the audit. Attending were the following:

Representing the Town of Estancia:

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

Representing the Independent Auditors:

Jose "Joe" Ortiz – Audit Manager

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Town's Management. 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.