

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

HARSHWAL 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

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TOWN OF EDGEWOOD
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TOWN OF EDGEWOOD
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STATE OF NEW MEXICO
TOWN OF EDGEWOOD
DIRECTORY OF OFFICIALS
JUNE 30, 2019

Name	Title
Elected Officials	
John Bassett	Mayor
John Abrams	Mayor Pro-tem
Sherry Abraham	Councilor
Linda Holle	Councilor
Audrey Jaramillo	Councilor
Administrative Official	
Juan Torres	Clerk/Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mr. Brian S.Colón,
New Mexico State Auditor
Honorable Mayor and Town Council
Town of Edgewood
Edgewood, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the Town of Edgewood, 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. We did not audit the 2018 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Town. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town, is based solely on the report of the other auditors.

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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Management has not implemented proper internal controls over governmental or business-type capital assets, nor over the expenditures and expenses related to the governmental and enterprise funds sufficient enough to provide evidence that all balances of capital assets are accurate and complete. The capital assets listing was not complete and accurate prior to approval and certification. During our audit, we noted several items which were not included in the assets listing prior to its certification. The amount by which this departure would affect the assets, fund balances, net position, revenues, and expenditures/expenses of the governmental activities and business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Edgewood, as of June 30, 2019, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons of the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 8 - 16, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, the notes to the required supplementary information and the Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions - OPEB on pages 87 - 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, that collectively comprise the Town of Edgewood's basic financial statements. The combining and individual nonmajor fund financial statements and the other schedules as required by Section 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the other schedules required by Section 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the combining and individual nonmajor fund financial statements, and the other schedules as required by Section 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town's 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.

Harshwal & Company LLP

Albuquerque, New Mexico
December 16, 2019

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This section of Town of Edgewood's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Edgewood exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year end by \$11,003,910 (net position).
- The Town's total net position increased by \$1,130,817 during the fiscal year. The increase was due to the Town having an increase in revenues and decrease in expenses. This is primarily due to the decrease in spending of funds on capital outlay as compared to prior years
- As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$3,847,035. Of this total, \$2,580,151 is restricted for special revenue, capital projects, debt service and other restricted items.
- The Town assessed and began collecting a property tax in 2016 to service debt. Property tax revenue was \$708,713 in 2019.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,281,822.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

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

The *statement of net position* presents information on all of the Town of Edgewood's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Edgewood is improving or deteriorating.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government wide financial statements distinguish functions of the Town of Edgewood that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the Town of Edgewood include general government, public safety, highways and streets and culture and recreation. The business type activities of the Town include waste water services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Edgewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Edgewood can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

The Town of Edgewood adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the major (General fund and Special revenue fund) governmental funds to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Town charges customers either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government - wide financial statements, only in more detail. The Town maintains one proprietary fund, the Waste Water Fund. The proprietary fund is used to report the same functions presented as business type activities in the government wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements. The notes to the financial statements can be found beginning on 39 of this report.

Combining Statements

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

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,003,910 at the close of the current fiscal year.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The largest portion of the Town of Edgewood's net position represent the Town's investment of \$10,883,805 in capital assets (e.g., land, construction in progress, improvements, buildings, infrastructure, vehicles and furniture, fixtures and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$2,460,046 which if were positive, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, except in unrestricted for the government as a whole.

Analysis of Changes in Net Position

During the current fiscal year, the Town's net position in governmental and business-type activities increased by \$1,130,817. These increases are explained in the governmental and business-type activities discussion that follows.

Governmental Activities

Governmental activities increased the Town's net position by \$719,784. Revenues not including transfers decreased from \$6,801,124 for the year ended June 30, 2018 to \$7,097,076 for the year ended June 30, 2019. The increase in revenues is primarily because the Town received more construction gross receipts tax money in 2019. Governmental expenses decreased from \$7,718,830 for the year ended June 30, 2018 to \$5,438,943 for the year ended June 30, 2019.

Business-Type Activities

Business-type activities increased the Town's net position by \$411,033 after transfers in of \$938,349 from governmental activities, compared to the prior year's decrease of \$296,386 after transfers of \$207,242 from the governmental activities. The wastewater system continues to require transfers for fund operations, repairs and maintenance.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

A summary of the statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 4,015,745	\$ 3,230,612	\$ 8,349	\$ 2,216	\$ 4,024,094	\$ 3,232,828
Capital assets, net of accumulated depreciation	12,267,179	12,469,651	5,508,804	5,113,550	17,775,983	17,583,201
Deferred outflow of resources	<u>1,198,077</u>	<u>624,292</u>	<u>25,587</u>	<u>3,509</u>	<u>1,223,664</u>	<u>627,801</u>
Total assets and deferred outflows of resources	<u>17,481,001</u>	<u>16,324,555</u>	<u>5,542,740</u>	<u>5,119,275</u>	<u>23,023,741</u>	<u>21,443,830</u>
LIABILITIES						
Current and other liabilities	230,709	244,356	46,229	42,346	276,938	286,702
Noncurrent liabilities	10,823,169	10,301,375	299,461	293,110	11,122,630	10,594,485
Deferred inflows of resources	<u>616,984</u>	<u>688,469</u>	<u>3,279</u>	<u>1,081</u>	<u>620,263</u>	<u>689,550</u>
Total liabilities and deferred inflows of resources	<u>11,670,862</u>	<u>11,234,200</u>	<u>348,969</u>	<u>336,537</u>	<u>12,019,831</u>	<u>11,570,737</u>
NET POSITION						
Net invested in capital assets, net of related debt	5,635,717	5,544,681	5,248,088	4,833,071	10,883,805	10,377,752
Restricted	2,580,151	2,060,572	-	-	2,580,151	2,060,572
Unrestricted	<u>(2,405,729)</u>	<u>(2,514,898)</u>	<u>(54,317)</u>	<u>(50,333)</u>	<u>(2,460,046)</u>	<u>(2,565,231)</u>
Total net position	<u>\$ 5,810,139</u>	<u>\$ 5,090,355</u>	<u>\$ 5,193,771</u>	<u>\$ 4,782,738</u>	<u>\$ 11,003,910</u>	<u>\$ 9,873,093</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for Service	\$ 103,459	\$ 100,967	\$ 153,014	\$ 129,378	\$ 256,473	\$ 230,345
Operating grants and contributions	221,074	201,669	-	-	221,074	201,669
Capital grants and contributions	1,270,975	1,635,804	-	-	1,270,975	1,635,804
General revenues:						
Taxes	5,458,132	4,787,445	-	-	5,458,132	4,787,445
Other income	43,436	75,239	-	-	43,436	75,239
Total revenues	7,097,076	6,801,124	153,014	129,378	7,250,090	6,930,502
EXPENSES						
General Government	3,511,781	3,108,904	-	-	3,511,781	3,108,904
Public Safety	687,587	976,147	-	-	687,587	976,147
Highways and streets	983,499	3,279,403	-	-	983,499	3,279,403
Cultural and recreation	34,465	138,015	-	-	34,465	138,015
Interest expenses	221,611	216,361	-	-	221,611	216,361
Waste water expenses	-	-	680,330	633,006	680,330	633,006
Total expenses	5,438,943	7,718,830	680,330	633,006	6,119,273	8,351,836
Changes in net position before transfers	1,658,133	(917,706)	(527,316)	(503,628)	1,130,817	(1,421,334)
Transfers	(938,349)	(207,242)	938,349	207,242	-	-
Changes in net position	719,784	(1,124,948)	411,033	(296,386)	1,130,817	(1,421,334)
Net position- beginning	5,090,355	7,561,038	4,782,738	5,079,124	9,873,093	12,640,162
Net position- <i>restatement</i>	-	(1,345,735)	-	-	-	(1,345,735)
Net position - beginning, <i>restated</i>	5,090,355	6,215,303	4,782,738	5,079,124	9,873,093	11,294,427
Net position- ending	\$5,810,139	\$ 5,090,355	\$ 5,193,771	\$ 4,782,738	\$11,003,910	\$ 9,873,093

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Town of Edgewood as a Whole

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,847,035, an increase of \$797,534 in comparison with the prior year. Approximately 33% of this total amount, or \$1,266,884, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,580,151 is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects, debt service and other restricted items. The increase in fund balance for the year ended June 30, 2019 is primarily due to the decrease in spending of funds that the Town received for the governmental activities.

Revenues for governmental functions overall totaled \$7,097,076 in the year ended June 30, 2019 which represents an increase of \$295,952 from the year ended June 30, 2018. Expenses for governmental functions totaled \$5,438,943 in the year ended June 30, 2019. This was a decrease of \$2,279,887 from the fiscal year ended June 30, 2018. In the fiscal year-ended June 30, 2019, revenue for governmental functions exceeded expenditure by \$1,658,133 (excluding transfers).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the fund balance of the General Fund was \$1,281,822, which consisted of \$0 restricted fund balance and \$1,281,822 unassigned fund balance.

The fund balance of the Town's General Fund increased by \$273,847 during the current fiscal year.

Proprietary Funds

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

At the end of the fiscal year, the unrestricted net position for the Waste Water Fund was a deficit of \$54,317. The total increase in net position for the proprietary fund was \$411,033. The increase in net position were primarily due to the professional services and repairs and maintenance in 2019. The Town took over operations of the wastewater treatment plant from a contracted private operator in January 2018 and started making necessary significant repairs and improvements to the plant to stay in compliance with the discharge permit and improve operations.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the Town budgeted general fund revenues at \$5,069,421. The actual revenues for the fiscal year were \$5,007,484, which is \$61,937 lower than budgeted.

For the year ended June 30, 2019, general fund expenditures (excluding transfer out) were under budget by \$194,838.

Capital Asset and Debt Administration

Capital Assets

The Town of Edgewood's capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$17,775,983 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, infrastructure, vehicles and furniture, fixtures and equipment. The total additions to the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$441,614 for governmental activities. Infrastructure, furniture, fixtures and equipment and vehicles costing were \$102,598, and land and construction in progress of \$151,504 was added in the year ended June 30, 2019. There were additions of \$723,833 in business-type capital assets (excluding accumulated depreciation) for the current fiscal year.

The following is a schedule showing the Net Value of the Capital Assets as of the fiscal year end:

	Capital Assets, Net of depreciation June 30, 2019 and 2018					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Construction in Progress	\$ 610,219	\$ 458,715	\$ -	\$ -	\$ 610,219	\$ 458,715
Buildings, Infrastructure, equipment & other.	11,656,960	12,010,936	-	-	11,656,960	12,010,936
Waste water system	-	-	5,508,804	5,113,550	5,508,804	5,113,550
Capital Assets, Net of A/D	<u>\$ 12,267,179</u>	<u>\$ 12,469,651</u>	<u>\$ 5,508,804</u>	<u>\$ 5,113,550</u>	<u>\$ 17,775,983</u>	<u>\$ 17,583,201</u>

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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Statement of Net Position shows the Investment in Capital Assets - Governmental and Business-Type Activities in the amount of \$10,883,805. This investment includes the land, construction in progress, improvements, buildings, infrastructure, vehicles and furniture, fixtures and equipment and the waste water system net of all applicable debt service.

During 2019 the Town had no debt issuance. The Town's long term debt is summarized as follows:

	Long Term Debt June 30, 2019 and 2018					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Net pension	\$ 2,771,601	\$ 2,061,426	\$ 38,745	\$ 12,631	\$ 2,810,346	\$ 2,074,057
Net OPEB	1,329,292	1,239,413	-	-	1,329,292	1,239,413
Notes Payable	3,506,462	3,649,970	260,716	280,479	3,767,178	3,930,449
Bonds Payable	3,125,000	3,275,000	-	-	3,125,000	3,275,000
Compensated Absences	<u>90,814</u>	<u>75,566</u>	<u>-</u>	<u>-</u>	<u>90,814</u>	<u>75,566</u>
Total Long Term Debt	<u>\$ 10,823,169</u>	<u>\$ 10,301,375</u>	<u>\$ 299,461</u>	<u>\$ 293,110</u>	<u>\$ 11,122,630</u>	<u>\$ 10,594,485</u>

Contacting the Town of Edgewood's Financial Management

This financial report is designed to provide a general overview of the Town of Edgewood's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Edgewood Administration; PO Box 3610, Edgewood NM 87015.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and investment	\$ 3,685,791	\$ -	\$ 3,685,791
Receivables:			
Taxes:	-	-	-
Gross receipt tax	273,259	-	273,259
Property tax	41,848	-	41,848
Gasoline tax	13,435	-	13,435
Other	1,412	8,349	9,761
Capital assets, net of accumulated depreciation	<u>12,267,179</u>	<u>5,508,804</u>	<u>17,775,983</u>
Total assets	<u>16,282,924</u>	<u>5,517,153</u>	<u>21,800,077</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - Pension	1,019,866	25,587	1,045,453
Deferred outflows of resources - OPEB	<u>178,211</u>	<u>-</u>	<u>178,211</u>
Total deferred outflows of resources	<u>1,198,077</u>	<u>25,587</u>	<u>1,223,664</u>
Total assets and deferred outflows of resources	<u>17,481,001</u>	<u>5,542,740</u>	<u>23,023,741</u>
LIABILITIES			
Current liabilities:			
Accounts payable	106,350	39,464	145,814
Impact fee deposits	4,065	-	4,065
Accrued payroll and payroll taxes	58,295	4,665	62,960
Accrued interest payable	61,999	2,100	64,099
Noncurrent liabilities:			
Net pension liability	2,771,601	38,745	2,810,346
Net OPEB liability	1,329,292	-	1,329,292
Notes payable - Due within one year	145,684	20,356	166,040
Notes payable - Due after one year	3,360,778	240,360	3,601,138
Bond payable - Due within one year	155,000	-	155,000
Bond payable - Due after one year	2,970,000	-	2,970,000
Compensated absences - Due within one year	<u>90,814</u>	<u>-</u>	<u>90,814</u>
Total liabilities	<u>11,053,878</u>	<u>345,690</u>	<u>11,399,568</u>

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - Pension	273,519	3,279	276,798
Deferred inflows of resources - OPEB	<u>343,465</u>	-	<u>343,465</u>
Total deferred inflows of resources	<u>616,984</u>	<u>3,279</u>	<u>620,263</u>
Total liabilities and deferred inflows of resources	<u>11,670,862</u>	<u>348,969</u>	<u>12,019,831</u>
NET POSITION			
Net investment in capital assets	5,635,717	5,248,088	10,883,805
Restricted for:			
Reserved for special revenue funds	415,134	-	415,134
Reserved for capital projects funds	1,570,177	-	1,570,177
Reserved for debt service funds	594,840	-	594,840
Unrestricted	<u>(2,405,729)</u>	<u>(54,317)</u>	<u>(2,460,046)</u>
Total net position	<u>5,810,139</u>	<u>5,193,771</u>	<u>11,003,910</u>
Total net position, deferred inflows of resources and liabilities	<u>\$ 17,481,001</u>	<u>\$ 5,542,740</u>	<u>\$ 23,023,741</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 3,511,781	\$ 92,234	\$ 188,764	\$ -	\$ (3,230,783)	\$ -	\$ (3,230,783)
Public safety	687,587	11,225	24,800	-	(651,562)	-	(651,562)
Highways and streets	983,499	-	-	1,270,975	287,476	-	287,476
Culture and recreation	34,465	-	7,510	-	(26,955)	-	(26,955)
Interest expense	221,611	-	-	-	(221,611)	-	(221,611)
Total governmental activities	<u>5,438,943</u>	<u>103,459</u>	<u>221,074</u>	<u>1,270,975</u>	<u>(3,843,435)</u>	<u>-</u>	<u>(3,843,435)</u>
Business-type Activities:							
Waste Water	680,330	153,014	-	-	-	(527,316)	(527,316)
Total business-type activities	<u>680,330</u>	<u>153,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(527,316)</u>	<u>(527,316)</u>
Total primary government	<u>\$ 6,119,273</u>	<u>\$ 256,473</u>	<u>\$ 221,074</u>	<u>\$ 1,270,975</u>	<u>(3,843,435)</u>	<u>(527,316)</u>	<u>(4,370,751)</u>
General revenues and transfers:							
Gross receipt taxes					4,598,632	-	4,598,632
Property taxes					708,713	-	708,713
Gasoline taxes					150,787	-	150,787
Interest income					17,571	-	17,571
Other					25,865	-	25,865
Transfer					(938,349)	938,349	-
Total general revenues and transfers					<u>4,563,219</u>	<u>938,349</u>	<u>5,501,568</u>
Change in net position					719,784	411,033	1,130,817
Net position, beginning					<u>5,090,355</u>	<u>4,782,738</u>	<u>9,873,093</u>
Net position, ending					<u>\$ 5,810,139</u>	<u>\$ 5,193,771</u>	<u>\$ 11,003,910</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Funds</u>	<u>Capital Projects</u>	<u>216 - Municipal Street Fund</u>
ASSETS			
Cash and investment	\$1,232,306	\$1,581,356	\$ 61,480
Receivables:			
Taxes:			
Gross receipt tax	146,550	17,074	-
Property tax	-	-	-
Gasoline tax	-	-	13,435
Other	<u>1,412</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,380,268</u>	<u>1,598,430</u>	<u>74,915</u>
LIABILITIES FUND BALANCES			
LIABILITIES:			
Deficit cash	-	-	-
Accounts payable	60,735	28,253	3,541
Other liabilities	-	-	-
Impact fee deposits	4,065	-	-
Accrued payroll and payroll taxes	<u>33,646</u>	<u>-</u>	<u>6,821</u>
Total liabilities	<u>98,446</u>	<u>28,253</u>	<u>10,362</u>
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	-	-	64,553
Capital projects funds	-	1,570,177	-
Debt service funds	-	-	-
Unassigned, reported in:			
General fund	1,281,822	-	-
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,281,822</u>	<u>1,570,177</u>	<u>64,553</u>
Total liabilities and fund balances	<u>\$1,380,268</u>	<u>\$1,598,430</u>	<u>\$ 74,915</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	299 - Police SP Revenue Fund	Total Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investment	\$ -	\$ 826,255	\$ 3,701,397
Receivables:			
Taxes:			
Gross receipt tax	109,635	-	273,259
Property tax	-	41,848	41,848
Gasoline tax	-	-	13,435
Other	<u>-</u>	<u>-</u>	<u>1,412</u>
Total assets	<u>109,635</u>	<u>868,103</u>	<u>4,031,351</u>
LIABILITIES FUND BALANCES			
LIABILITIES:			
Deficit cash	6,801	8,805	15,606
Accounts payable	4,437	9,384	106,350
Other liabilities	-	-	-
Impact fee deposits	-	-	4,065
Accrued payroll and payroll taxes	<u>17,828</u>	<u>-</u>	<u>58,295</u>
Total liabilities	<u>29,066</u>	<u>18,189</u>	<u>184,316</u>
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	80,569	270,012	415,134
Capital projects funds	-	-	1,570,177
Debt service funds	-	594,840	594,840
Unassigned, reported in:			
General fund	-	-	1,281,822
Special revenue fund	<u>-</u>	<u>(14,938)</u>	<u>(14,938)</u>
Total fund balances	<u>80,569</u>	<u>849,914</u>	<u>3,847,035</u>
Total liabilities and fund balances	<u>\$ 109,635</u>	<u>\$ 868,103</u>	<u>\$ 4,031,351</u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental fund</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 3,847,035
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,267,179
The following are related to pension and OPEB are not due and payable in the current period and therefore is not reported in the Governmental funds:	
Net pension liability	(2,771,601)
Net OPEB liability	(1,329,292)
Deferred inflows of resources (OPEB & pension)	(616,984)
Deferred outflows of resources (OPEB & pension)	1,198,077
Liabilities are not due and payable with current financial resources and, therefore are not reported in the funds:	
Notes payable	(3,506,462)
Bond payable	(3,125,000)
Accrued compensated absences	(90,814)
Accrued interest	<u>(61,999)</u>
Net position - Statement of Net Position	<u>\$ 5,810,139</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Funds</u>	<u>Capital Projects</u>	216 - <u>Municipal Street Fund</u>
REVENUES:			
Taxes	\$4,319,673	\$ 232,979	\$ 584,504
Licenses, permits fees and fines	92,234	-	-
Intergovernmental - State	196,274	1,270,975	-
Interest	443	10,091	-
Miscellaneous	<u>20,689</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,629,313</u>	<u>1,514,045</u>	<u>584,504</u>
EXPENDITURES:			
Current:			
General government	3,177,838	-	-
Public safety	526,723	-	-
Highways and streets	-	13,924	569,046
Capital outlay	123,121	200,206	166,989
Debt service			
Principal payments	-	-	-
Interest payments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,827,682</u>	<u>214,130</u>	<u>736,035</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>801,631</u>	<u>1,299,915</u>	<u>(151,531)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	28,214	-	-
Operating transfers (out)	<u>(555,998)</u>	<u>(723,833)</u>	<u>-</u>
Total other financing sources (uses)	<u>(527,784)</u>	<u>(723,833)</u>	<u>-</u>
Net change in fund balances	273,847	576,082	(151,531)
Fund balance - beginning of year	<u>1,007,975</u>	<u>994,095</u>	<u>216,084</u>
Fund balance - end of year	<u>\$1,281,822</u>	<u>\$1,570,177</u>	<u>\$ 64,553</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	299 - Police SP Revenue Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ -	\$ 320,976	\$ 5,458,132
Licenses, permits fees and fines	-	11,225	103,459
Intergovernmental - State	-	24,800	1,492,049
Interest	-	7,037	17,571
Miscellaneous	-	5,176	25,865
	-	369,214	7,097,076
EXPENDITURES:			
Current:			
General government	-	25,433	3,203,271
Public safety	-	41,548	568,271
Highways and streets	-	-	582,970
Capital outlay	-	-	490,316
Debt service			
Principal payments	-	293,508	293,508
Interest payments	-	222,857	222,857
	-	583,346	5,361,193
<i>Excess (deficiency) of revenues over expenditures</i>	-	(214,132)	1,735,883
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	313,268	341,482
Operating transfers (out)	-	-	(1,279,831)
	-	313,268	(938,349)
Net change in fund balances	-	99,136	797,534
Fund balance - beginning of year	80,569	750,778	3,049,501
Fund balance - end of year	\$ 80,569	\$ 849,914	\$ 3,847,035

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
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**

Governmental
fund

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

Net changes in fund balances -Total governmental funds	\$ 797,534
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>	
Depreciation expense	(644,086)
Capital expenditures recorded in capital outlay	441,614
<p>Governmental funds report Town's pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expenses:</p>	
Net pension expenses	(155,636)
Net OPEB income	852
<p>The repayment of the principal of notes payable and accrued interest consumes current financial resources of governmental funds</p>	
Repayment of the principal of notes payable	293,508
Decrease (Increase) in accrued interest payable	1,246
Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.	<u>(15,248)</u>
Change in net position - governmental activities	<u>\$ 719,784</u>

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL**

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
GENERAL FUNDS**
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$4,268,731	\$4,720,926	\$4,698,985	\$ (21,941)
Licenses, permits fees and fines	84,526	121,600	82,967	(38,633)
Intergovernmental - State	115,704	183,248	183,248	-
Miscellaneous	<u>16,078</u>	<u>43,647</u>	<u>42,284</u>	<u>(1,363)</u>
Total revenues	<u>4,485,039</u>	<u>5,069,421</u>	<u>5,007,484</u>	<u>(61,937)</u>
EXPENDITURES:				
Current:				
General government	3,233,987	3,619,700	3,431,558	188,142
Public safety	<u>423,049</u>	<u>537,873</u>	<u>531,177</u>	<u>6,696</u>
Total expenditures	<u>3,657,036</u>	<u>4,157,573</u>	<u>3,962,735</u>	<u>194,838</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>828,003</u>	<u>911,848</u>	<u>1,044,749</u>	<u>132,901</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	<u>(690,079)</u>	<u>(716,448)</u>	<u>(716,447)</u>	<u>1</u>
Total other financing sources (uses)	<u>(690,079)</u>	<u>(716,448)</u>	<u>(716,447)</u>	<u>1</u>
Net change in fund balances	137,924	195,400	328,302	132,902
Fund balance - beginning of year	-	-	<u>1,007,975</u>	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>1,336,277</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balances-cash basis			\$ 328,302	
Adjustments to revenues			(378,171)	
Adjustments to expenditures			135,053	
Adjustments to transfers			<u>188,663</u>	
Net change in fund balances-GAAP basis			<u>\$ 273,847</u>	

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MUNICIPAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ <u>164,356</u>	\$ <u>164,356</u>	\$ <u>150,830</u>	\$ <u>(13,526)</u>
Total revenues	<u>164,356</u>	<u>164,356</u>	<u>150,830</u>	<u>(13,526)</u>
EXPENDITURES:				
Current:				
Highways and streets	<u>600,216</u>	<u>767,216</u>	<u>741,649</u>	<u>25,567</u>
Total expenditures	<u>600,216</u>	<u>767,216</u>	<u>741,649</u>	<u>25,567</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(435,860)</u>	<u>(602,860)</u>	<u>(590,819)</u>	<u>12,041</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	<u>419,638</u>	<u>433,717</u>	<u>433,717</u>	<u>-</u>
Total other financing sources (uses)	<u>419,638</u>	<u>433,717</u>	<u>433,717</u>	<u>-</u>
Net change in fund balances	(16,222)	(169,143)	(157,102)	12,041
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>216,084</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>58,982</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balances-cash basis			\$ (157,102)	
Adjustments to revenues			433,674	
Adjustments to expenditures			5,614	
Adjustments to transfers			<u>(433,717)</u>	
Net change in fund balances-GAAP basis			<u>\$ (151,531)</u>	

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
POLICE SP REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Total expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	80,569	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>80,569</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balances-cash basis			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Adjustments to transfers			-	
Net change in fund balances-GAAP basis			<u>\$ -</u>	

PROPRIETARY FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019**

	503 - Wastewater Fund
ASSETS	
Current assets:	
Accounts receivable	\$ <u>8,349</u>
Total current assets	<u>8,349</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>5,508,804</u>
Total assets	<u>5,517,153</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pension	<u>25,587</u>
Total deferred outflow of resources	<u>25,587</u>
Total assets and deferred outflow of resources	<u>5,542,740</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES:	
Current liabilities:	
Accounts payable	39,464
Accrued payroll and payroll taxes	4,665
Accrued interest payable	2,100
Current maturities of note payable	<u>20,356</u>
Total current liabilities	<u>66,585</u>
Noncurrent liabilities:	
Net pension liability	38,745
Notes payable	<u>240,360</u>
Total liabilities	<u>345,690</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pension	<u>3,279</u>
Total deferred inflow of resources	<u>3,279</u>
Total liabilities and deferred inflow of resources	<u>348,969</u>
NET POSITION	
Net investment in capital assets	5,248,088
Unrestricted	<u>(54,317)</u>
Total net position	<u>5,193,771</u>
Total liabilities, deferred inflow of resources, and net position	<u><u>\$ 5,542,740</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>503 - Wastewater Fund</u>
<i>Operating revenues:</i>	
Services fees	\$ 153,014
Total operating revenues	<u>153,014</u>
<i>Operating expenses:</i>	
Professional services	181,148
State shared taxes	1,829
Repairs and maintenance	55,299
Supplies	46,821
Utilities	58,398
Depreciation	<u>328,579</u>
Total operating expenses	<u>672,074</u>
<i>Operating income (loss)</i>	<u>(519,060)</u>
Nonoperating expenses:	
Interest expense	<u>(8,256)</u>
<i>Income/(Loss) before transfer</i>	<u>(527,316)</u>
Transfers:	
Transfers In/(out)	<u>938,349</u>
Change in net position	<u>411,033</u>
Net position - beginning of year	<u>4,782,738</u>
Net position - end of year	<u><u>\$ 5,193,771</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>503 - Wastewater Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 146,881
Cash payments to vendors for goods and services	<u>(333,378)</u>
Net cash used in operating activities	<u>(186,497)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(723,833)
Payments on notes payable	(19,763)
Payments for interest on notes payable	<u>(8,256)</u>
Net cash used in capital and related financing activities	<u>(751,852)</u>
Cash flows from noncapital financing activities:	
Transfer in	<u>938,349</u>
Net cash provided by noncapital financing activities	<u>938,349</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
<u>Reconciliation of operating loss to net cash used in operating activities:</u>	
Operating loss	\$ (519,060)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	328,579
Pension plan items	6,234
Changes in assets and liabilities:	
Accrued interest payable	(159)
Accrued payroll and payroll taxes	4,665
Accounts payable	(623)
Accounts receivable	<u>(6,133)</u>
Total adjustments	<u>332,563</u>
Net cash used in operating activities	<u><u>\$ (186,497)</u></u>

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2019**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>19,161</u>
Total assets	<u>19,161</u>
LIABILITIES	
Due to other entities	<u>19,161</u>
Total liabilities	<u><u>\$ 19,161</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity: The Town of Edgewood ("Town") was incorporated in 1999 under the laws of the State of New Mexico. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, education, public improvements, planning and zoning, general administrative services and a waste water utility.

The Town's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Town and entities for which the Town is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2019.

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

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Town 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 made.

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

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

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

Property tax revenue is recorded on an accrual basis and the revenue is recognized in the fiscal year for which the taxes are levied.

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

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

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Property taxes are levied and collected by the Santa Fe County Treasurer on behalf of the Town. Property taxes are levied in November and are payable in two installments, half on November 10 which becomes delinquent on December 10 and half on April 10 which becomes delinquent on May 11, which is also the lien date.

The Town reports the following major governmental funds:

General Fund. The general fund is the Town's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund. A capital projects fund that accounts for money received and expended for capital projects.

Municipal Streets. A special revenues fund that accounts for funds used to maintain roads for which the Town is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Town roads. Authority is NMSA 7-1-6.27.

Police SP Fund. A special revenues fund that accounts for revenues and expenditures relating to the Town police force. Financing is provided by gross receipts taxes.

The Town reports the following major proprietary fund:

Waste Water Fund. This fund accounts for all the financial resources and expenditures related to the waste water system.

B. Cash and Investments

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

All investments are stated at fair value which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

C. Capital Assets

Capital assets which include software, library books, property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000, per Section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Town has elected not to retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building, structures and improvements	10-40 years
Road equipment	10 years
Furniture, fixtures and equipment	7 years
Vehicles	7 years
Infrastructures	25 years
Waste water system	25 years

D. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has pension and OPEB related to deferred outflows of resource items that qualify for reporting in this category.

E. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

F. 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, deferred inflows of resources, 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.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 liability for deferred inflows of resources. The Town has one types of items, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue-property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the Town has pension and OPEB related deferred inflows of resources items in government-wide financial statement that qualify for reporting in this category.

G. 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 Public Employee Retirement Board (PERB) and additions to/deductions from PERB's fiduciary net position have been determined on the same basis as they are reported by PERB, 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.

H. OPEB

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.

I. Fund Balance

In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- (b) Imposed by law through constitutional provisions or enabling legislation.
- (c) Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. The Town's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

J. Net Position

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

K. Interfund Transactions

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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

L. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

M. Budgetary Information

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

The Town follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Community Center to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Town Council and the New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, and capital projects funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Implementation of New Accounting Principles

During fiscal year 2019, the Town adopted the following Governmental Accounting Standards Board (GASB) Statements:

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Implementation of New Accounting Principles - Cont'd

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Implementation of New Accounting Principles - Cont'd

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter.

In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Implementation of New Accounting Principles - Cont'd

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

Other accounting standards that the Town is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 84, *Fiduciary Activities*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Implementation of New Accounting Principles - Cont'd

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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. It 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.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Implementation of New Accounting Principles - Cont'd

GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FYE June 30, 2022). Earlier application is encouraged.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

As of June 30, 2019, the Town's bank balance total of \$3,999,220 was exposed to credit risk in the amount of \$2,670,243 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Town's name	\$ 1,605,644
Uninsured and uncollateralized	<u>1,064,599</u>
Total	<u><u>\$ 2,670,243</u></u>

<u>Reconciliation of Cash and cash equivalents</u>	<u>Amount</u>
Cash and cash equivalents per Statement of Net Position	\$ 3,685,791
Cash per Statement of Fiduciary Net Position	19,161
Less: Petty cash	(410)
Add outstanding checks and other reconciling items	<u>294,678</u>
Bank balance of deposits	<u><u>\$ 3,999,220</u></u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Town is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance at each financial institution. At June 30, 2019, FDIC insurance is limited to \$250,000 for time and savings deposits and \$250,000 for demand deposits at each financial institution. The total balance in any single financial institution may at times exceed the FDIC coverage available to individual depositors. The Town is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk: The Town has no formal policy on managing credit risk. State law limits investments to certificates of deposits and similar obligations, state investment pool, money market accounts and United States Government obligations.

Investments

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. As of June 30, 2019, the Town has no items classified as investments.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 257,449	\$ -	\$ -	\$ 257,449
Constructions in progress	<u>201,266</u>	<u>151,504</u>	<u>-</u>	<u>352,770</u>
Total capital assets not being depreciated	<u>458,715</u>	<u>151,504</u>	<u>-</u>	<u>610,219</u>
Capital assets being depreciated:				
Buildings, structures and improvements	5,009,341	-	-	5,009,341
Road equipment	763,283	166,989	-	930,272
Infrastructure	9,628,052	-	-	9,628,052
Furniture, fixtures and equipment	237,980	-	-	237,980
Vehicles	<u>851,921</u>	<u>123,121</u>	<u>(187,512)</u>	<u>787,530</u>
Total capital assets being depreciated	<u>16,490,577</u>	<u>290,110</u>	<u>(187,512)</u>	<u>16,593,175</u>
Less: accumulated depreciation for:				
Buildings, structures and improvements	606,603	127,559	-	734,162
Road equipment	622,674	41,655	-	664,329
Infrastructure	2,441,657	384,378	-	2,826,035
Furniture, fixtures and equipment	200,963	10,756	-	211,719
Vehicles	<u>607,744</u>	<u>79,738</u>	<u>(187,512)</u>	<u>499,970</u>
Total accumulated depreciation	<u>4,479,641</u>	<u>644,086</u>	<u>(187,512)</u>	<u>4,936,215</u>
Total capital assets, depreciated, net	<u>12,010,936</u>	<u>(353,976)</u>	<u>-</u>	<u>11,656,960</u>
Governmental activities capital assets, net	<u>\$ 12,469,651</u>	<u>\$ (202,472)</u>	<u>\$ -</u>	<u>\$ 12,267,179</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$ 89,776
Public safety	119,316
Highways and streets	400,529
Culture and recreation	<u>34,465</u>
Total governmental activities depreciation expense	<u>\$ 644,086</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 - CAPITAL ASSETS - CONT'D

Enterprise fund capital asset activity for the year ending June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-type Activities:</u>				
Capital assets being depreciated:				
Waste Water System	\$7,611,278	\$ 723,833	\$ -	\$8,335,111
Total capital assets being depreciated	<u>7,611,278</u>	<u>723,833</u>	<u>-</u>	<u>8,335,111</u>
Less: accumulated depreciation for:				
Waste Water System	2,497,728	328,579	-	2,826,307
Total accumulated depreciation	<u>2,497,728</u>	<u>328,579</u>	<u>-</u>	<u>2,826,307</u>
Business-type activities capital assets, net	<u>\$5,113,550</u>	<u>\$ 395,254</u>	<u>\$ -</u>	<u>\$5,508,804</u>

NOTE 4 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2019, the following changes occurred:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due within one year</u>
Governmental activities:					
NMFA Edgewood 3	\$ 1,173,963	\$ -	\$ 77,299	\$ 1,096,664	\$ 78,668
NMFA Edgewood 5	2,476,007	-	66,209	2,409,798	67,016
GO BOND	3,275,000	-	150,000	3,125,000	155,000
Compensated absences	<u>75,566</u>	<u>46,780</u>	<u>31,532</u>	<u>90,814</u>	<u>90,814</u>
	<u>\$ 7,000,536</u>	<u>\$ 46,780</u>	<u>\$325,040</u>	<u>\$ 6,722,276</u>	<u>\$ 391,498</u>
Business Type Activities:					
RIP Loan	<u>\$ 280,479</u>	<u>\$ -</u>	<u>\$ 19,763</u>	<u>\$ 260,716</u>	<u>\$ 20,356</u>

Accrued Compensated Absences. Employees accrue either eight or ten hours per month depending on if the employee has been with the Town less than or more than five years, respectively. The maximum number of annual leave hours which may be accrued is either 96 or 120 hours depending on if the employee has been with the Town less than or more than five years, respectively. Compensated absence balances have been liquidated within the general fund in prior years.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - LONG-TERM OBLIGATIONS - CONT'D

The Town received a loan in 2012 totaling \$1,637,195 from the New Mexico Finance Authority (NMFA). The loan requires variable annual principal payments ranging from \$54,919 to \$109,185 including interest at 2.98% and matures May 2031. A portion of the Town's Municipal Infrastructure Gross Receipts Tax has been pledged to pay the loan principal and interest. The loan is subject to an intercept agreement whereby the pledged gross receipts taxes are paid directly to NMFA by the state distributing entity.

Loan debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	78,668	34,148	112,816
2021	80,260	32,504	112,764
2022	82,041	30,666	112,707
2023	84,133	28,508	112,641
2024	86,419	26,152	112,571
2025-2029	472,903	88,798	561,701
2030-2031	<u>212,240</u>	<u>11,839</u>	<u>224,079</u>
	<u>\$1,096,664</u>	<u>\$ 252,615</u>	<u>\$1,349,279</u>

The Town received a loan in 2015 totaling \$2,696,483 from the New Mexico Finance Authority (NMFA). The loan requires variable annual principal payments ranging from \$64,793 to \$144,922 including interest at 3.72% and matures May 2044. A portion of the Town's Municipal Infrastructure Gross Receipts Tax has been pledged to pay the loan principal and interest. The loan is subject to an intercept agreement whereby the pledged gross receipts taxes are paid directly to NMFA by the state distributing entity.

Loan debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	67,016	83,993	151,009
2021	68,008	83,001	151,009
2022	69,185	81,824	151,009
2023	70,541	80,468	151,009
2024	72,015	78,994	151,009
2025-2029	388,906	366,138	755,044
2029-2034	456,256	298,787	755,043
2035-2039	548,759	206,285	755,044
2040-2044	<u>669,112</u>	<u>85,932</u>	<u>755,044</u>
	<u>\$2,409,798</u>	<u>\$1,365,422</u>	<u>\$3,775,220</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - LONG-TERM OBLIGATIONS - CONT'D

During 2014, the Town issued \$3,670,000 of Series 2014 General Obligation Bonds. Interest, with rates ranging from 1.3% to 5.0%, is due every February and August commencing February 2015 and principal is due each August commencing August 2015. The bonds are secured by ad valorem property tax and mature August 2034. Bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	155,000	100,201	255,201
2021	165,000	97,168	262,168
2022	170,000	93,486	263,486
2023	175,000	89,220	264,220
2024	185,000	84,354	269,354
2025-2029	1,015,000	332,009	1,347,009
2030-2034	1,050,000	147,179	1,197,179
2035	210,000	4,347	214,347
	<u>\$3,125,000</u>	<u>\$ 947,964</u>	<u>\$4,072,964</u>

The Town obtained a Rural Infrastructure Program loan during 2010 in the amount of \$419,211, from the New Mexico Environment Department. The loan requires annual payments of 28,178 including interest at 3% and matures March 2030 and is collateralized by state shared gross receipts tax. Loan debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	20,356	7,822	28,178
2021	20,967	7,211	28,178
2022	21,596	6,582	28,178
2023	22,244	5,934	28,178
2024	22,911	5,267	28,178
2025-2029	125,287	15,601	140,888
2030	27,355	821	28,176
	<u>\$ 260,716</u>	<u>\$ 49,238</u>	<u>\$ 309,954</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - 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 to employees and natural disasters. The Town has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool that operates as a common risk management and insurance program for local governments. The Town pays an annual premium to the New Mexico Self-Insurers Fund for its general insurance coverage, and all risk of loss is transferred.

NOTE 6 - INTERFUND OPERATING TRANSFERS

The Town interfund transfers during the year ended June 30, 2019 consisted of the following amounts:

Transfers in	Amount	Transfers out	Amount
<u>Governmental Funds:</u>			
Major funds:		Major funds:	
General funds	\$ 28,214	General funds	\$ 555,998
		Capital projects funds	723,833
Nonmajor funds	313,268		
<u>Proprietary Funds:</u>			
Wastewater Fund	938,349		
Total	\$ 1,279,831	Total	\$ 1,279,831

NOTE 7 - RELATED PARTY

On May 2018, Josephine C. Bassett, mother of the Town's current Mayor John Bassett and her successors, as Trustee of the Survivors Trust created upon the death of Carl M. Bassett on January 30, 2005 donated to the Town of Edgewood an easement, a strip of land, to survey, construct, operate and maintain a sewer line and sanitary sewer lift station together with the right and privilege of free ingress and egress at such times as are necessary for the sole purpose of constructing, operating and maintaining the same over, under, upon and across the lands. The sewer line and sanitary sewer lift station were both completed this fiscal year.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

General Information about the Pension Plan

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

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

Benefits provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

TIER II:

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee Contribution increased 1.50% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions:

See PERA's compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors in effect during FY18

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

PERA Contribution Rates and Pension Factors in effect during FY18

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	Percentage of the Final Average Salary
MUNICIPAL PLANS 1 - 5						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2018. The Town of Edgewood's proportion of the net pension liability was based on a projection of the Town of Edgewood's long term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

PERA Fund Division - General. At June 30, 2019, the Town reported a liability of \$1,358,403 for its proportionate share of the net pension liability at June 30, 2018. At June 30, 2018, the Town's proportion was 0.0852%, which was higher than its 0.0778% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - General pension expense of \$108,109.

At June 30, 2019, the Town reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 123,158	\$ 7,810
Changes in Proportion	75,875	13,379
Differences Between Expected and Actual Experience	39,261	35,665
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	100,746	
Post Measurement Date Employer Contributions	<u>104,618</u>	
Totals	<u>\$ 443,658</u>	<u>\$ 56,854</u>

For the General Division, \$104,618 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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 June 30,</u>	<u>Amount</u>
2020	\$ 160,830
2021	80,151
2022	35,925
2023	<u>5,280</u>
Total	<u>\$ 282,186</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

PERA Fund Division - Police. At June 30, 2019, the Town reported a liability of \$1,451,943 for its proportionate share of the net pension liability at June 30, 2018. As of June 30, 2018, the Town's proportion was 0.2128%, which was higher than its 0.1809% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - Police pension expense of \$53,761.

At June 30, 2019, the Town reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumption	\$ 165,669	\$ 8,876
Changes in Proportion	135,584	67,142
Differences Between Expected and Actual Experier	71,081	143,926
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	99,914	-
Post Measurement Date Employer Contributions	<u>129,547</u>	<u>-</u>
Totals	<u>\$ 601,795</u>	<u>\$ 219,944</u>

For the Police Division, \$129,547 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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 June 30,</u>	<u>Amount</u>
2020	\$ 126,538
2021	41,623
2022	78,474
2023	<u>5,669</u>
Total	<u>\$ 252,304</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
• Investment rate of return	7.25% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.00%
• Projected salary increases	3.25% to 13.50% annual rate
• Includes inflation at	2.50% annual rate
	2.75% all other years
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.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	<u>20.00%</u>	<u>6.48%</u>
Total	<u><u>100%</u></u>	

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D

<u>Proportionate Share of Net Pension Liability</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
General	\$ 2,093,209	\$ 1,358,403	\$ 750,969
Police	<u>2,232,493</u>	<u>1,451,943</u>	<u>815,610</u>
Total	<u>\$ 4,325,702</u>	<u>\$ 2,810,346</u>	<u>\$ 1,566,579</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan

The Town doesn't have any amount due to the plan at June 30, 2019.

NOTE 9 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

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

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

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

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - CONT'D

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 benefit	11,471
Current active members	93,349
	<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	48,756
	<u>-</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 \$30,397 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 \$1,329,292 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 June 30, 2017. 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 0.03057 percent.

For the year ended June 30, 2019, the Town recognized OPEB expense (income) of \$852. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - CONT'D

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 78,703
Change of assumptions	-	248,173
Net difference between projected and actual investments earnings on OPEB plan investments	-	16,589
Changes in proportion and differences between Town contributions and proportionate share of contributions	147,814	-
Town contributions subsequent to the measurement date	30,397	
Total	\$ 178,211	\$ 343,465

Deferred outflows of resources totaling \$30,397 represent Town 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, 2020. 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,	Amount
2020	\$ (55,950)
2021	(55,950)
2022	(55,950)
2023	(36,075)
2024	8,274
Total	\$ (195,651)

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; 2.25% for PERA members
Projected payroll increases	3.25% 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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 9 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN -
CONT'D**

Health care cost trend rate	8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate - The discount rate used to measure the Fund's total OPEB liability is 4.08% 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, 2029. 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, 4.08% is the blended discount rate.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - CONT'D

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 Rate (4.08%)	1% Increase (5.08%)
\$ 1,608,756	\$ 1,329,292	\$ 1,109,012

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
\$ 1,123,718	\$ 1,329,292	\$ 1,490,467

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 \$109,185 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 10 - CONSTRUCTION COMMITMENTS

As of June 30, 2019, the Town has construction in progress totaling 352,770 and has a remaining construction commitment of approximately \$1,000,000 for Church Street and \$160,000 for the pedestrian bridge, for a total of \$1,160,000.

NOTE 11 - RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$2,580,151 of restricted component of net position that is restricted by enabling legislation.

NOTE 12 - DEFICIT FUND BALANCE

As of June 30, 2019, the Library fund had a deficit fund balance of \$10,813 and the Recreation fund had a deficit fund balance of \$4,125.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 - CONTINGENCIES

Litigation. Claims have been filed against the Town and are in various stages of processing, and some may ultimately be brought to trial. It is not possible to estimate the likelihood and amount of such claims. Accordingly, no accrual has been made for them.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, the Town reconciled the capital asset inventory listing as a result of which a prior period adjustment was made in the amount of \$0 to the Government-wide financial statements of the primary government.

Beginning net position as previously reported at June 30, 2018	\$ 5,090,355
Prior period adjustment -	
Adjustment in vehicles, cost	(187,512)
Adjustment in vehicle, accumulated depreciation	<u>187,512</u>
Total prior period adjustment	<u>-</u>
Net position as restated, July 1, 2018	<u><u>\$ 5,090,355</u></u>

NOTE 15 - GASB 77 DISCLOSURES

The Town entered in to an agreement during the year that involve tax abatements; the following tables outline the key information regarding the entities involved and the type and amounts of taxes abated during the year ending June 30, 2019.

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TOWN OF EDGEWOOD
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Agency Number	6093
Agency Name	Town of Edgewood
Agency Type	Municipality
Tax Abatement Agreement Name	Project Participation Agreement_Aspire Hotels, LLC
Recipient(s) of tax abatement	Aspire Hotels, LLC
Parent company(ies) of recipient(s) of tax abatement	Aspire Hotels, LLC
Tax abatement program (name and brief description)	Economic Development Project
Specific Tax(es) Being Abated	Gross Receipts_Municipal Infrastructure
Legal authority under which tax abatement agreement was entered into	Local Economic Development Act
Criteria that make a recipient eligible to receive a tax abatement	Improvements of the real property & create real full time jobs
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Infrastructure gross receipts tax collected are deposited into an infrastructure fund. This agreement will decrease the fund balance.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	1.5% of the construction cost in a total amount not to exceed \$73,500.00
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	Purchase of property & construct hotel, create real full time jobs, generate gross revenue tax (GRT) and report annual sales to the town, generate property tax, grant a sewer and public easement.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	Maximum upto \$73,500.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	None
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	None
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	None
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	NO
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	N/A
In the report disclosure is this abatement aggregated?	No
Threshold amount for aggregation	N/A

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NONMAJOR FUNDS DESCRIPTION
JUNE 30, 2019

SPECIAL REVENUE FUNDS

Corrections. To establish an additional source of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 339-3.

Lodgers Tax. To account for the operations of a special fund to promote tourist operations in the Town. Financing is provided by a special Lodger's tax chartered on all transient lodging in the Town (Authority is NMSA 3-38-13).

Law Enforcement Protection. To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

Library. To account for the receipts and expenditures related to the Library fund. Authority is by Town resolution.

Recreation. To account for revenues and expenditures relating to Town recreational facilities and programs. Financing is provided by cigarette taxes and federal and state grants. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

Capital Replacement. To cover the repair or replacement cost of existing common elements; that is, capital assets already in existence in the organization. Authority is by Town resolution.

Animal Shelter. To account for the receipts and expenditures related to the Town animal shelter. Authority is by Town resolution.

Veterans Memorial. To account for the receipts and expenditures related to the Town's veteran's memorial. Authority is by Town resolution.

Buy a Brick. To account for the receipts and expenditures related to the Town's Buy a Brick program. Authority is by Town resolution.

Terminal Leave. To account for the receipts and expenditures related to the Town's terminal leave. Authority is by Town resolution.

DEBT SERVICE FUNDS

NMFA Loan 5 Program. A capital projects fund that accounts for the receipts and disbursements of the funds from NMFA loan 5. Authority is by Town resolution.

NMFA Loan 5 Reserve. To account for the required debt service reserve on the NMFA loan 5. Authority is by Town resolution.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NONMAJOR FUNDS DESCRIPTION
JUNE 30, 2019

NMFA Loan 5 Intercept. To account for the debt service on the NMFA loan 5. Authority is by Town resolution.

GO Bond. To account for the debt service on the GO Bond. Authority is by Town resolution.

PW DS Reserve. To account for the required debt service reserve on the NMFA loan 3. Authority is by Town resolution.

PW DS Intercept. To account for the debt service on the NMFA loan 3. Authority is by Town resolution.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	201 - Correction Fund	210 - Lodgers tax	211 - Law Enforcement Fund
ASSETS			
Cash and investment	\$ 107,788	\$ 42,205	\$ 552
Receivables:			
Taxes:			
Property tax	-	-	-
Total assets	107,788	42,205	552
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	107,788	42,205	552
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	-	-	-
Total fund balances	107,788	42,205	552
Total liabilities and fund balances	\$ 107,788	\$ 42,205	\$ 552

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>213 - Library Fund</u>	<u>217 - Recreation Fund</u>	<u>224 - Capital Replacement Fund</u>
ASSETS			
Cash and investment	\$ -	\$ -	\$ 60,000
Receivables:			
Taxes:			
Property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>	<u>60,000</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deficit cash	8,636	169	-
Accounts payable	<u>2,177</u>	<u>3,956</u>	<u>-</u>
Total liabilities	<u>10,813</u>	<u>4,125</u>	<u>-</u>
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	-	-	60,000
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	<u>(10,813)</u>	<u>(4,125)</u>	<u>-</u>
Total fund balances	<u>(10,813)</u>	<u>(4,125)</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	225 - Animal Shelter Fund	226 - Veterans Memorial Fund	227 - Buy A Brick/Playgr ound
ASSETS			
Cash and investment	\$ 5,185	\$ 250	\$ 5,600
Receivables:			
Taxes:			
Property tax	-	-	-
Total assets	5,185	250	5,600
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	5,185	250	5,600
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	-	-	-
Total fund balances	5,185	250	5,600
Total liabilities and fund balances	\$ 5,185	\$ 250	\$ 5,600

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>229 - Terminal Leave Fund</u>	<u>315 - NMFA Loan 5 Program Funds</u>	<u>316 - NMFA 5 Reserve Funds</u>
ASSETS			
Cash and investment	\$ 48,432	\$ 14,491	\$ 154,313
Receivables:			
Taxes:			
Property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>48,432</u>	<u>14,491</u>	<u>154,313</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deficit cash	-	-	-
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	48,432	-	-
Debt service funds	-	14,491	154,313
Unassigned, reported in:			
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>48,432</u>	<u>14,491</u>	<u>154,313</u>
Total liabilities and fund balances	<u>\$ 48,432</u>	<u>\$ 14,491</u>	<u>\$ 154,313</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>317 - NMFA 5 Intercept</u>	<u>401 - Go Bond Debt Service</u>	<u>405 - PW DS Reserve Fund</u>
ASSETS			
Cash and investment	\$ 32,806	\$ 203,487	\$ 115,472
Receivables:			
Taxes:			
Property tax	<u>-</u>	<u>41,848</u>	<u>-</u>
Total assets	<u>32,806</u>	<u>245,335</u>	<u>115,472</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deficit cash	-	-	-
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Restricted, reported in:			
Special revenue fund	-	-	-
Debt service funds	32,806	245,335	115,472
Unassigned, reported in:			
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>32,806</u>	<u>245,335</u>	<u>115,472</u>
Total liabilities and fund balances	<u>\$ 32,806</u>	<u>\$ 245,335</u>	<u>\$ 115,472</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>406 - PW DS Intercept</u>	<u>Total Nonmajor Funds</u>
ASSETS		
Cash and investment	\$ 35,674	\$ 826,255
Receivables:		
Taxes:		
Property tax	<u>-</u>	<u>41,848</u>
Total assets	<u>35,674</u>	<u>868,103</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Deficit cash	-	8,805
Accounts payable	<u>3,251</u>	<u>9,384</u>
Total liabilities	<u>3,251</u>	<u>18,189</u>
FUND BALANCES:		
Restricted, reported in:		
Special revenue fund	-	270,012
Debt service funds	32,423	594,840
Unassigned, reported in:		
Special revenue fund	<u>-</u>	<u>(14,938)</u>
Total fund balances	<u>32,423</u>	<u>849,914</u>
Total liabilities and fund balances	<u>\$ 35,674</u>	<u>\$ 868,103</u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	201 - Correction Fund	210 - Lodgers tax	211 - Law Enforcement Fund
REVENUES:			
Taxes	\$ -	\$ 45,980	\$ -
Licenses, permits fees and fines	11,225	-	-
Intergovernmental - State	-	-	24,800
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>11,225</u>	<u>45,980</u>	<u>24,800</u>
EXPENDITURES:			
Current:			
General government	-	23,183	-
Public safety	595	-	40,953
Debt service			
Principal payments	-	-	-
Interest payments	-	-	-
Total expenditures	<u>595</u>	<u>23,183</u>	<u>40,953</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,630</u>	<u>22,797</u>	<u>(16,153)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	10,630	22,797	(16,153)
Fund balance - beginning of year	<u>97,158</u>	<u>19,408</u>	<u>16,705</u>
Fund balance - end of year	<u>\$ 107,788</u>	<u>\$ 42,205</u>	<u>\$ 552</u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	213 - Library Fund	217 - Recreation Fund	224 - Capital Replacement Fund
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	-	-
Miscellaneous	<u>3,174</u>	<u>934</u>	<u>-</u>
Total revenues	<u>3,174</u>	<u>934</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,174</u>	<u>934</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>-</u>	<u>-</u>	<u>20,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	3,174	934	20,000
Fund balance - beginning of year	<u>(13,987)</u>	<u>(5,059)</u>	<u>40,000</u>
Fund balance - end of year	<u><u>\$ (10,813)</u></u>	<u><u>\$ (4,125)</u></u>	<u><u>\$ 60,000</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	225 - Animal Shelter Fund	226 - Veterans Memorial Fund	227 - Buy A Brick/Playgr ound
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	-	-
Miscellaneous	<u>1,068</u>	-	-
Total revenues	<u>1,068</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	2,250	-	-
Public safety	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,250</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,182)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,182)	-	-
Fund balance - beginning of year	<u>6,367</u>	<u>250</u>	<u>5,600</u>
Fund balance - end of year	<u><u>\$ 5,185</u></u>	<u><u>\$ 250</u></u>	<u><u>\$ 5,600</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	229 - Terminal Leave Fund	315 - NMFA Loan 5 Program Funds	316 - NMFA 5 Reserve Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	311	2,452
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>311</u>	<u>2,452</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>311</u>	<u>2,452</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>20,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	20,000	311	2,452
Fund balance - beginning of year	<u>28,432</u>	<u>14,180</u>	<u>151,861</u>
Fund balance - end of year	<u>\$ 48,432</u>	<u>\$ 14,491</u>	<u>\$ 154,313</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>317 - NMFA 5 Intercept</u>	<u>401 - Go Bond Debt Service</u>	<u>405 - PW DS Reserve Fund</u>
REVENUES:			
Taxes	\$ -	\$ 274,996	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	1,274	-	1,835
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,274</u>	<u>274,996</u>	<u>1,835</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Debt service			
Principal payments	66,209	150,000	-
Interest payments	<u>84,800</u>	<u>102,495</u>	<u>-</u>
Total expenditures	<u>151,009</u>	<u>252,495</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(149,735)</u>	<u>22,501</u>	<u>1,835</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>151,009</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>151,009</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,274	22,501	1,835
Fund balance - beginning of year	<u>31,532</u>	<u>222,834</u>	<u>113,637</u>
Fund balance - end of year	<u>\$ 32,806</u>	<u>\$ 245,335</u>	<u>\$ 115,472</u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	406 - PW DS Intercept	Total Nonmajor Funds
REVENUES:		
Taxes	\$ -	\$ 320,976
Licenses, permits fees and fines	-	11,225
Intergovernmental - State	-	24,800
Interest	1,165	7,037
Miscellaneous	<u>-</u>	<u>5,176</u>
Total revenues	<u>1,165</u>	<u>369,214</u>
EXPENDITURES:		
Current:		
General government	-	25,433
Public safety	-	41,548
Debt service		
Principal payments	77,299	293,508
Interest payments	<u>35,562</u>	<u>222,857</u>
Total expenditures	<u>112,861</u>	<u>583,346</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(111,696)</u>	<u>(214,132)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	<u>122,259</u>	<u>313,268</u>
Total other financing sources (uses)	<u>122,259</u>	<u>313,268</u>
Net change in fund balances	10,563	99,136
Fund balance - beginning of year	<u>21,860</u>	<u>750,778</u>
Fund balance - end of year	<u>\$ 32,423</u>	<u>\$ 849,914</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

Public Employees Retirement Association (PERA) Plan:	2019	2018	2017	2016	2015
Town of Edgewood's proportion of the net pension liability (asset)	0.0852 %	0.0778%	0.0772%	.0747%	.0747%
Town of Edgewood's proportionate share of the net pension liability (asset)	\$ 1,358,403	\$ 1,069,038	\$ 1,233,397	\$ 836,061	\$ 582,740
Town of Edgewood's covered-employee payroll	\$ 859,514	\$ 718,538	\$ 745,647	\$ 755,503	\$ 740,893
Town of Edgewood's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.04%	148.78%	165.41%	110.66%	78.65%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	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 of Edgewood will present information for those years for which information is available

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

Public Employees Retirement Association (PERA) Plan:	2019	2018	2017	2016	2015
Town of Edgewood's proportion of the net pension liability (asset)	0.2128%	0.1809%	0.2052%	0.2090%	0.2039%
Town of Edgewood's proportionate share of the net pension liability (asset)	\$ 1,451,943	\$ 1,005,019	\$ 1,514,026	\$ 1,004,989	\$ 664,692
Town of Edgewood's covered-employee payroll	\$ 524,644	\$ 499,582	\$ 487,851	\$ 556,570	\$ 514,173
Town of Edgewood's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	276.75%	201.17%	310.35%	180.57%	129.27%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	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 of Edgewood will present information for those years for which information is available

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL GENERAL
LAST 10 FISCAL YEARS*

<u>PERA Fund Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 104,618	\$ 89,838	\$ 61,897	\$ 59,824	\$ 60,293
Contributions in relation to the contractually required contribution	<u>104,618</u>	<u>89,838</u>	<u>61,897</u>	<u>59,824</u>	<u>60,293</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*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 of Edgewood will present information for those years for which information is available.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL POLICE
LAST 10 FISCAL YEARS*

<u>PERA Fund Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 129,547	\$ 95,898	\$ 100,489	\$ 77,149	\$ 77,417
Contributions in relation to the contractually required contribution	<u>129,547</u>	<u>95,898</u>	<u>100,489</u>	<u>77,149</u>	<u>77,417</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*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 of Edgewood will present information for those years for which information is available.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS***

	<u>2019*</u>	<u>2018*</u>
Employer's proportionate of the net OPEB liability	0.03057 %	0.02735 %
Employer's proportionate share of the net OPEB liability	1,329,292	1,239,413
Employer covered-employee payroll	1,311,642	1,139,305
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.35 %	108.79 %
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 10 years. However, until a full 10-year trend is complied, the Town will present information for available years.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF OPEB CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 47,771	\$ 86,849
Contribution in relation to the contractually required contribution	<u>47,187</u>	<u>43,589</u>
Contribution deficiency (excess)	<u>\$ 584</u>	<u>\$ 43,260</u>
Employer's covered-employee payroll	\$1,311,642	\$1,139,305
Contribution as a percentage of covered-employee payroll	3.60 %	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the Town will present information for available years.

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

PERA PLAN

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

Assumptions. The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations report as of June 30, 2017, is available at <http://www.nmpera.org/>.

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. There were no modifications to the assumptions and methods since the June 30, 2017 GASB 74 modifications.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Beginning Balance</u>	<u>Increase/ Receipts</u>	<u>Decrease/ Disbursements</u>	<u>Ending Balance</u>
IMPACT FEE FUND:				
ASSETS				
Cash	\$ 19,412	\$ 23,844	\$ (24,095)	\$ 19,161
Total assets	<u>19,412</u>	<u>23,844</u>	<u>(24,095)</u>	<u>19,161</u>
LIABILITIES				
Due to other entities	<u>19,412</u>	<u>23,844</u>	<u>(24,095)</u>	<u>19,161</u>
Total liabilities	<u><u>\$ 19,412</u></u>	<u><u>\$ 23,844</u></u>	<u><u>\$ (24,095)</u></u>	<u><u>\$ 19,161</u></u>

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2019

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<i>Wells Fargo Bank</i>				
	Non-interest bearing			
General Pooled Cash	checking	\$2,894,978	\$ (289,333)	\$2,605,645
Certificate of Deposit	CD	250,759	-	250,759
<i>Bank of the West</i>				
Certificate of Deposit	CD	5,897	-	5,897
Petty Cash		<u>410</u>	<u>-</u>	<u>410</u>
Total deposits - non-agency		<u>3,152,044</u>	<u>(289,333)</u>	<u>2,862,711</u>
<i>New Mexico Finance Authority</i>				
GO Bond Program Funds	Cash held by NMFA	470,323	-	470,323
NMFA 5 Program Fund	Cash held by NMFA	14,491	-	14,491
NMFA 5 Reserve Fund	Cash held by NMFA	154,313	-	154,313
NMFA 5 Intercept	Cash held by NMFA	32,806	-	32,806
NMFA 3 Reserve	Cash held by NMFA	115,472	-	115,472
NMFA 3 Intercept	Cash held by NMFA	<u>35,675</u>	<u>-</u>	<u>35,675</u>
Total cash held by NMFA		<u>823,080</u>	<u>-</u>	<u>823,080</u>
Total deposit and cash held by NMFA accounts- non-agency		<u>\$3,975,124</u>	<u>\$ (289,333)</u>	<u>\$3,685,791</u>
Agency funds cash accounts:				
<i>Wells Fargo Bank</i>				
Impact Fee Account	Non-interest bearing checking	<u>\$ 24,506</u>	<u>\$ (5,345)</u>	<u>\$ 19,161</u>

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

<u>Description of Pledged Collateral</u>	<u>Wells Fargo</u>	<u>Bank of the West</u>	<u>Total</u>
Deposits at June 30, 2019	\$ 3,170,243	\$ 5,897	\$ 3,176,140
Less: FDIC coverage	<u>500,000</u>	<u>5,897</u>	<u>505,897</u>
Uninsured public funds	2,670,243	-	2,670,243
Pledged collateral held by the pledging bank's trust department or agent but not in the Town's name	<u>1,605,644</u>	<u>-</u>	<u>1,605,644</u>
Uninsured and uncollateralized 50% pledged collateral requirement per statute	<u>\$ 1,064,599</u>	<u>\$ -</u>	<u>\$ 1,064,599</u>
	\$ 1,335,122		
Total pledged collateral	<u>1,605,644</u>		
Pledged collateral exceeding the requirements	<u>\$ 270,522</u>		

Pledged collateral at June 30, 2019 consists of the following:

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FMAC FGPS 3.50%	3128MJRJ1	04/01/42	\$ 576,331
FNMA FNMS 3.50%	3138EDDP3	04/01/42	668,780
FNMA FNMS 3.00%	3138MDS52	10/01/42	<u>360,533</u>
Total Market Value			<u>\$ 1,605,644</u>

The custodian of the pledged securities for Wells Fargo Bank is Wells Fargo Bank Safekeeping/Custodial Services in San Francisco, California.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2019

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Town	Audit Responsibility	Fiscal agent and responsible reporting entity
Emergency Services	County of Santa Fe Town of Edgewood	County of Santa Fe	Provision of emergency medical services, fire suppression, rescue services, communications and fire prevention	02/08/00, until cancelled	1/3 of the Town's Shared Gross Receipts Tax Receipts	Santa Fe County	Santa Fe County
Regional Emergency Communications Center	County of Santa Fe Town of Edgewood	County of Santa Fe	Jointly operate, maintain and administer the Santa Fe Regional Emergency Communications Center to provide emergency 911 telephone access for residents	10/11/2006, until cancelled	\$75000 per year \$20,000 in capital expenditures in year one	Santa Fe County	Santa Fe County

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Mr. Brian S. Colón,
New Mexico State Auditor
Honorable Mayor and Town Council
Town of Edgewood
Edgewood, 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, the budgetary comparisons of the general fund and major special revenue fund of the Town of Edgewood, New Mexico (Town) as of and for the year ended June 30, 2019, and related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds financial of the Town's, presented as supplemental information, and have issued our report thereon dated December 16, 2019 and which was qualified because we were unable to obtain sufficient evidential matter to satisfy ourselves that capital assets, recorded for the Town are complete.

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 on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-002 and 2019-006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001, 2019-003, 2019-004, 2019-005, 2019-007 and 2019-008.

The 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 the financial statements and, accordingly, we express no 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 result 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.

Harshwal & Company LLP

Albuquerque, New Mexico
December 16, 2019

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2019-001 Improper Travel and Per Diem Disbursement - Other Noncompliance - (PY Finding 2018-001) - Repeated and Modified

Condition:

During our testing of travel and per diem, we noted the following exceptions:

- For one sample, the rate for the hotel stay was more than the allowed rate of \$215 per night which was paid without proper approval.
- For one sample, actual rates were used for meals but no receipts were provided.
- For one sample, the statement of mileage reimbursement form was missing the signature of the supervisor.

The Town did not make progress in resolving this finding.

Criteria:

Under the New Mexico Administrative Code 2.42.2.9 (1) agencies, public officers or employees who incur lodging expenses in excess of \$215 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.

Section 2.42.2.12A(4) of the Travel and Per Diem regulations states, *“If more than \$6.00 per day or \$30.00 per trip is claimed, the entire amount of the reimbursement claim must be accompanied by receipts.”* Additionally, section 2.42.2.9 B (3) states that public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and includes the signature of the agency head or governing board.

Cause:

The Town personnel did not comply with the state statute.

Effect:

The Town is not in compliance with NMSA 1978, section 2.42.2.9 in regards to travel and per diem reimbursements.

Recommendation:

We recommend that the New Mexico State Statutes and Administrative Code related to travel and per diem be thoroughly reviewed by the Town and its employees.

Management Response:

Management agrees with the recommendation of the auditors. Since the issuance of this finding in FY 2018, the Town of Edgewood Governing Body has passed a mileage and per diem policy in June 2019. Since the issuance of the policy, all lodging expenses exceeding \$215 per night will receive prior authorization from the Mayor. All staff will be provided a training on mileage and per diem based upon the policy.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-001 Improper Travel and Per Diem Disbursement - Other Noncompliance - (PY Finding 2018-001) - Repeated and Modified - Cont'd

Responsible party:

Clerk-Treasurer

Estimated Completion date:

06/30/2020

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-002 Annual Inventory Certification - Material Weakness - (PY Finding 2018-002) - Repeated and Modified

Condition:

The Town did perform an annual capital asset inventory certification of their capital assets listing. However, the listing was not complete and accurate prior to approval and certification. During our test work and analysis over capital assets, we noted several items which were not included in the assets listing prior to its certification.

The Town did not make any progress in resolving this finding.

Criteria:

According to Section 12-6-10 NMSA 1978, each agency is required to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition, the Town should have detailed capital asset records to support the reported balance on the financial statements. These detailed records should include information such as description (including serial number or other identification number), source, acquisition date and cost, depreciable life, percentage of federal participation in the cost, location, and condition of the asset. All agencies shall maintain an inventory listing of capitalized chattels and equipment that cost over five thousand dollars (\$5,000). The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act. Additionally, in accordance with 2.20.1.15 NMSA the Town shall establish controls over its capital assets for the primary purposes of safeguarding them and establishing accountability for their custody and use.

Cause:

The Town conducted a physical inventory count at year end. However, the certified list is not accurate and complete.

Effect:

The Town is not in compliance with the statutory requirement of conducting an annual count of inventory. Additionally, without including all the Town's assets, the listing is not complete and accurate. The Town is susceptible to misappropriation of assets as well as inaccurate depreciation expense, accumulated depreciation, and inaccurate additions and deletions of capital assets. Items could be present on the capital assets listing that do not exist or items could also exist that are not on the listing. The listing is misstated.

Recommendation:

We recommend the Town implement a system to accurately track, maintain and update changes in inventory on an annual basis. We also recommend going back and making sure that the listing is accurate and account for all items that should be recorded and capitalized.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-002 Annual Inventory Certification - Material Weakness - (PY Finding 2018-002) - Repeated and Modified - Cont'd

Management Response:

Management agrees with the recommendation of the auditors. The Town of Edgewood Governing Body certified the current asset listing and passed a capital asset policy in June 2019. Now that the Town has an official capital asset policy, management is currently working to implement the policy. Management will perform a thorough annual physical inventory of all capital assets and update the listing based upon the policy. The updated listing will provide to the Governing Body for certification.

Responsible party:

Clerk-Treasurer

Estimated Completion date:

06/30/2020

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-003 Late IPA Recommendation and Audit Contract - Noncompliance and Other Matters

Condition:

The IPA recommendation and audit contract were not received by the Office of the State Auditor by the required due date of May 15, 2019. The IPA recommendation and audit contract were not submitted to the Office of the State Auditor until June 21, 2019.

Criteria:

The New Mexico Administrative Code (NMAC) 2.2.2.8 (F) (8) (c) states that “the agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the deadline.” incorporated counties, local workforce investment boards and local public bodies that do not qualify for the tiered system: this deadline date is May 15.

Cause:

The Town did not submit their completed audit contract in a timely manner.

Effect:

Audit contracts that are not received by the State Auditor are a violation of the New Mexico Administrative Code.

Recommendation:

We recommend that the Town ensure all reports are filed in a timely manner with the State Auditor to be in compliance with all New Mexico State Statutes.

Management Response:

Management agrees with this finding. Management will ensure the audit contract will be filed with the Office of the State Auditor in a timely manner.

Responsible party:

Clerk-Treasurer

Estimated Completion date:

Audit contract will be submitted in compliance with NMAC deadline.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-004 Stale Dated Check - Other Noncompliance

Condition:

The Town had 7 Stale Checks in the Wells Fargo Pooled Cash Account which were over one-year-old, totaling \$1,343. The Town has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria:

Section 7-8A-7d 1978 sets forth the processes and requirements to report about the payee and related funds (by November 1 of each year and covering the twelve-month period preceding July 1 of that year) to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year. Additionally, per Section 7-8A7f, NMSA 1978, the Town shall send written notice to the apparent owner, not more than one hundred twenty days or less than sixty days before filing the report.

Cause:

The Town overlooked the Stale dated checks during the bank reconciliation process, and did not void these checks on a timely basis.

Effect:

The Town's cash balance may be misstated by the amount of the stale checks.

Recommendation:

We recommend that the Town put into place a system to account for and track stale dated checks and also review the outstanding check register as soon as possible to determine which checks meet the requirements of the Act in order to insure compliance. Once they identify all stale checks, the Town should send a written notice to the apparent owner, not more than one hundred twenty days or less than sixty days before filing the unclaimed property report.

Management's Response:

Management agrees with the recommendation of the auditors. Management will modify our established bank reconciliation policy and procedure to identify all stale-dated checks. The policy will include a method to remove any outstanding checks over one year from the bank reconciliation to a liability for escheatment. The policy will comply with Section 7-8A-7d, NMSA 1978 and send written notice to the apparent owner and file with the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Responsible party:

Clerk-Treasurer

Estimated Completion date:

Bank reconciliation policy and procedure will be modified by the end of FY20.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-005 Noncompliance with New Mexico Environment Department - Other Noncompliance

Condition:

On September 5, 2018 the NEW MEXICO ENVIRONMENT DEPARTMENT issued a Notice of Violation, to the Town of Edgewood Wastewater for non-compliance with the terms and condition in the Discharge Permit Renewal, DP-1654 issued by the New Mexico Environment Department (NMED) on September 4, 2015 to the Town of Edgewood (permittee pursuant to Section 20.6.2.3109 NMAC of the Water Quality Control Commission (WQCC) Ground and Surface Water Protection Regulations (20.6.2 NMAC).

Section 20.6.2.3104 NMAC requires the permittee to comply with the terms and conditions of this Discharge Permit. NMED has determined that the above referenced facility is operating in violation of the conditions of the Discharge Permit, the WQCC Regulations and the Water Quality Act (WQA).

Criteria:

Section 20.6.2.3104 NMAC requires the permittee to comply with the terms and conditions of this Discharge Permit. The section requires that no person shall cause or allow effluent or leachate to discharge so that it may move directly or indirectly into ground water unless he is discharging pursuant to a discharge permit issued by the secretary. When a permit has been issued, discharges must be consistent with the terms and conditions of the permit. In the event of a transfer of the ownership, control, or possession of a facility for which a discharge permit is in effect, the transferee shall have authority to discharge under such permit, provided that the transferee has complied with Section 20.6.2.3111 NMAC, regarding transfers.

Cause:

The Town overlooked the requirements set forth in the permit renewal dated September 4, 2015.

Effect:

Pursuant to WQA § 74-6-5, NMED has the authority to terminate or modify the Discharge Permit based on the violation of any condition of the permit, additionally failure to comply with the Notice of Violation may result in NMED's issuance of a compliance order that assesses a civil penalty pursuant to WQA § 74-6-10. Civil penalties may also be assessed for up to \$15,000 per day for each violation of the WQA § 74-6-5, any regulation promulgated pursuant to that section or any permit issued pursuant to that section. Civil penalties may be assessed for up to \$10,000 per day for each violation of any other provision of the WQA, or any regulation, standard, or order adopted pursuant to such other provision.

Recommendations

We recommend the Town comply with NMED requirements, make sure they review the requirements set forth in the permit renewal, and ensure that the necessary requirements to correct the violations are met timely in order to avoid any fines.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-005 Noncompliance with New Mexico Environment Department - Other Noncompliance - Cont'd

Management's Response:

Management agrees with the recommendation of the auditors. Prior to January 2018, the Town had a third-party private contractor in control of operations at the waste water treatment plant and was unaware of the 2015 permit requirements. Since management became aware of the permit compliance and notice of violation, we have been working with the New Mexico Environment Department Ground Water Quality Bureau to bring the Town into compliance with the permit and notice of violation. Management has given full disclosure and cooperation with NMED. An action plan was submitted and approved by NMED. NMED has performed a subsequent compliance inspection of the waste water treatment plant. All but one of the permit compliance and violation issues have been resolved. At the time of this response, there is an NMED approved temporary solution in place until the Town can complete construction. At this point in time, there have not been any fines issued to the Town by NMED.

Responsible party:

Town Management and Town Waste Water Department

Estimated Completion date:

The final compliance issue will be constructed and resolved in the spring of 2020.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-006 Internal Control over Cash and Monthly Closing Process - Material Weakness

Condition:

During our review of the bank reconciliations to determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand, we noted that 3 out of 18 months' statements were not completed in a timely manner. We also noted that in the month of May 2019, the town was a victim of counterfeit checks in the amount of \$4,001 which was discovered during the reconciliation in the month of June 2019. This resulted in a loss because the town did not implement fraud prevention services with its bank at the time. Additionally, as per review of the minutes we noted some instances where the monthly financial reporting packet was not provided to the trustees at the monthly council meetings.

Criteria:

Section 6-6-3 NMSA, 1978 discusses good accounting practices and requires that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner. Also, good accounting practices and require every entity shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or fraudulent activities.

Cause:

Some of the month end reconciliations were not prepared in a timely manner, and the town did not implement fraud prevention services with its bank.

Effect:

Material errors or omissions could go unnoticed, and the Trustees are not able to perform their duty of oversight over the financial reporting process in a timely manner. Additionally, without fraud protection services, the Town may not recover its money.

Recommendation:

We recommend that the Town perform, in a timely manner and complete bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliations. In addition, we recommend that the Town put into place a strategy to make sure that financial reports are provided in a timely manner to the Trustees. We also recommend the Town implement fraud prevention services to help prevent any future losses relating to fraud of counterfeit checks.

Management's Response:

The Town of Edgewood Governing Body adopted a policy and procedure for monthly bank reconciliations in June 2019. Due to the internal controls set forth in the policy and limited staff, the Governing Body might still receive late reports. The reconciliations are being performed in a timely manner and fully comply with the bank reconciliation policy. This issue of reports not being brought to the Governing Body on time is because of the schedule of the Council meetings. Staff has a short timeframe of 7 to 10 business days to complete and prepare the reports for the meeting.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-006 Internal Control over Cash and Monthly Closing Process - Material Weakness - Cont'd

Management's Response: - Cont'd

Per the policy, there are only two individuals that have the ability to complete the monthly bank reconciliation. If one is out on sick leave, vacation or attending mandatory training, there is the possibility of it not being completed in time for the Council meeting. Management would not want to violate any internal controls set forth in the policy to ensure that they could be completed in time for the Council meeting. Management will continue to strive to provide the reports on a timely manner. The two options that would remedy this issue are additional financial staff/reallocation of existing staff or adjusting the Council meeting schedule. Management will bring the issue forth at the next open meetings act resolution of the Governing Body to see if they will consider adjusting the meeting schedule to allow staff the necessary time to deliver the reports.

We will also purchase a positive pay system from our bank to help prevent any future loss from counterfeit checks.

Responsible party:

Clerk-Treasurer

Estimated Completion date:

06/30/2020

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-007 Violation of the Open Meetings Act - Other Noncompliance

Condition:

As a result of our review of the board meeting minutes, a referral received from the New Mexico Office of the State Auditor, and a letter issued by the New Mexico Office of the Attorney General, we noted the following:

- The Town Council failed to provide reasonable specificity in the language of some items listed on the meeting agenda in five separate meetings. The meetings occurred on April 18, 2018; July 18, 2018; November 14, 2018; January 9, 2019; and on April 10, 2019.
- In a motion to enter into closed session on two separate occasions, the Town Council failed to reasonably identify a subject that was to be discussed in closed session. These meetings occurred on February 7, 2018 and March 20, 2019.

Criteria:

The Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4 states that all meeting agendas must contain language that is reasonably specific of the items to be discussed. Specifically, section 10-15-1 (F) states "meeting notices shall include an agenda containing a list of specific items of business to be discussed or transacted at the meeting or information on how the public may obtain a copy of such an agenda." This provides the public with access to the greatest possible information regarding the affairs of government and the official acts of those officers and employees who represent them. In addition, section 10-15-1 (I) states "if any meeting is closed pursuant to the exclusions contained in Subsection H of this section, the closure if made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote on a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes."

Cause:

The Town Council did not follow state guidelines in posting meeting agendas that contain language that is reasonably specific of some items that were to be discussed. In addition, the Town Council did not follow state guidelines in reasonably identifying a subject that was to be discussed in closed session in the motion to enter into closed session.

Effect:

The Town Council is not in compliance with NMSA 1978, sections 10-15-1 to 10-15-4 of the Open Meetings Act.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

Recommendation:

We recommend that the Town Council develop and implement policies and procedures to ensure compliance with NMSA 1978, sections 10-15-1 to 10-15-4 of the Open Meetings Act.

Management's Response:

We respectfully disagree with this finding. A letter of caution from the Attorney General does not equate to a finding of a violation. Nor was any action by the Town's Governing Body invalidated. Only the Attorney General's Office or a court of competent jurisdiction can make a finding that the Town was in violation of the Open Meetings Act, and not the State Auditor's Office. We also respectfully disagree that this finding should even be included since it in no way affects or has any bearing on the Town's financial condition.

Nonetheless, the Town will review its current procedures with respect to closed sessions under the Open Meetings Act to ensure compliance with the requirements of notification of the subject matter to be discussed in the closed session with reasonable specificity, and the authority under which the Governing Body enters into closed session. This review will include the notice provided by the agenda, the motion to enter into closed session, the conduct of the closed session itself, and the return from the closed session, as well as the obligation of each member of the Town's Governing Body to raise any concerns in a prompt and timely manner to avoid a potential issue with compliance.

Responsible party:

The Town Clerk/ Treasurer and the Deputy Clerk, in consultation with the Town's attorneys.

Estimated Completion date:

Without admission of any finding, a review and completion of recommendations to be presented to the Town's Governing Body on its agenda for April 22, 2020.

HCLLP response to 2019 - 007 Violation of the Open Meetings Act - Other Noncompliance

In accordance with 2.2.2.10 NMAC section J. State compliance audit requirements, an IPA shall identify significant state statutes, rules and regulations applicable to the agency under audit and perform tests of compliance. In addition, **section H- Referrals and Risk Advisories (1) state that** in an effort to ensure that the finances of state and local governments are thoroughly examined, OSA may provide IPAs with written communications to inform the IPA that OSA received information that may suggest elevated risk in specific areas relevant to a particular agency's annual financial and compliance audit. These communications shall be referred to as "referrals." Referrals may relate to any topic relevant to the scope of the annual financial and compliance audit. IPAs shall take the circumstances described in OSA referral communications into account in their risk assessment and perform such procedures as, in the IPA's professional judgment, are necessary to determine what further action, if any, in the form of additional disclosure, findings and recommendations are appropriate in connection with the annual audit of the agency. HCLLP quoted this finding as a results of test work performed which indicated none compliance related to the Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2019-008 Violation of the Town's Nepotism Ordinance 1999-B - Other Noncompliance

Condition:

At a board meeting on March 14, 2018, the Town's Mayor reappointed his first cousin to the Town's Planning and Zoning Commission for a term of two years.

Criteria:

According to the Town's 1999-B ordinance, no person shall be hired in any capacity or appointed in any capacity as a volunteer if the person is a relative of the Mayor, the Councilors or the Municipal Judge. No person shall be hired, promoted or transferred or appointed in any capacity as a volunteer to a position which is under the supervision of his relative.

Cause:

The Town's 1999-B Nepotism Ordinance was not properly followed.

Effect:

The reappointment of the Mayor's First Cousin to the Planning and Zoning Commission is in violation of the Town's Nepotism Ordinance, and according to the ordinance, any Town official or employee or volunteer who willfully violates any prohibition of the Ordinance shall be guilty of malfeasance of office position and shall be subject to dismissal or removal.

Recommendation:

We recommend that those individuals charged with governance review the Town's ordinances regarding nepotism, as well as other applicable laws and regulations that applies to them and the Town.

Management's Response:

We respectfully disagree that the reappointment of the Mayor John Bassett's first cousin to the Town's Planning and Zoning Commission violated the Town's Nepotism Ordinance. That Commissioner was initially appointed by Mayor Brad Hill, thus, she was already a Commissioner at the time Mayor Bassett was elected. Under state law, the prohibition related to appointing or employing of a relative only applies to the initial hiring or appointment. See NMSA 1978, Section 10-1-10, Public Officers and Employees, Nepotism Prohibited; see also NMSA 1978, Section 22-5-6, Nepotism Prohibited; New Mexico State Bd. Of Ed. V. Board of Ed. Of Alamogordo Public School District No.1, 1981-NMSC-031, 95 N.M. 588; 1982 N.M. Op. Att'y Gen. 282 (1982). While the appointment of a first cousin is not prohibited by state law, it is prohibited by the Ordinance.

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

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

The Ordinance uses the terms “hired” and “appointed”. These terms make no reference to reappointment. In the absence of a definition to the contrary, we follow the above interpretation of state law that appointment of a relative of an elected official does not apply to reappointment.

There has never been any finding by the Town’s Governing Body or by a court of competent jurisdiction that the Mayor violated the Town’s Nepotism Ordinance. We also respectfully state that the State Auditor’s finding is a conclusion that is incorrect as a matter of law for the reasons set forth above. We also respectfully disagree that this finding should even be included since it in no way affects or has any bearing on the Town’s financial condition.

Responsible party:

Not applicable for the reasons set forth above.

Estimated Completion date:

Not applicable, since there is no violation. Also, the Commissioner resigned her position in November of 2019. Thus, there is no corrective action to be taken.

HCLLP response to 2019-008 Violation of the Town’s Nepotism Ordinance 1999-B - Other Noncompliance:

In accordance with 2.2.2.10 NMAC section J. State compliance audit requirements, an IPA shall identify significant state statutes, rules and regulations applicable to the agency under audit and perform tests of compliance. In addition, **section H- Referrals and Risk Advisories (1) state that** in an effort to ensure that the finances of state and local governments are thoroughly examined, OSA may provide IPAs with written communications to inform the IPA that OSA received information that may suggest elevated risk in specific areas relevant to a particular agency’s annual financial and compliance audit. These communications shall be referred to as “referrals.” Referrals may relate to any topic relevant to the scope of the annual financial and compliance audit. IPAs shall take the circumstances described in OSA referral communications into account in their risk assessment and perform such procedures as, in the IPA’s professional judgment, are necessary to determine what further action, if any, in the form of additional disclosure, findings and recommendations are appropriate in connection with the annual audit of the agency. HCLLP quoted this finding in accordance with the Town’s ordinance 1999-B.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019**

<u>Prior Year Audit Findings</u>	<u>Status</u>
2018-001 Improper Mileage Reimbursement	Repeated and Modified
2018-002 Annual Inventory Certification	Repeated and Modified
2018-003 Payroll	Resolved
2018-004 Lack of Policies, Procedures and Internal Controls	Resolved

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019**

An exit conference was held on December 13, 2019, and attended by the following:

Town of Edgewood Officials

John Bassett
John Abrams
Dora Garcia
Juan Torres

Mayor
Town Councilor
Finance Specialist
Clerk - Treasurer

Harshwal & Company LLP

Mariem Tall, Audit Manager

Financial Statement Preparation

The financial statements were prepared by Harshwal & Company LLP from the books and records of the Town of Edgewood. However, the contents of these financial statements remain the responsibility of the Town's management.