

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
ANNUAL FINANCIAL REPORT
JUNE 30, 2018**

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TOWN OF EDGEWOOD
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**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
DIRECTORY OF OFFICIALS
JUNE 30, 2018**

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

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne A. Johnson,
New Mexico State Auditor
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, 2018, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the 2017 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 audit opinion.

Opinions

In our opinion, 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, 2018, 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 7 through 14, 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 77 - 82 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, 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 14, 2018 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 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
Certified Public Accountants**

Harshwal & Company LLP

**Albuquerque, New Mexico
December 14, 2018**

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. 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 \$9,873,093 (net position).
- The Town's total net position decreased by \$1,421,334 during the fiscal year. The decrease was due to the Town having a decrease in revenues than expenses. This is primarily due to the spending of funds that the Town received when it issued notes payable in prior years
- As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$3,049,501. Of this total, \$2,060,572 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 \$604,056 in 2018.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,007,975.

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, 2018**

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.

The Town maintains nineteen 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 Fund, Capital Projects Fund and NMFA Loan 5 Program Fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 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 35 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 \$9,873,093 at the close of the current fiscal year.

The largest portion of the Town of Edgewood's net position represent the Town's investment of \$10,377,752 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 \$2,565,231 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.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Analysis of Changes in Net Position

During the current fiscal year, the Town's net position in governmental and business-type activities decreased by \$1,421,334. These decreases are explained in the governmental and business-type activities discussion that follows.

Governmental Activities

Governmental activities decreased the Town's net position by \$1,124,948. Revenues not including transfers increased from \$4,647,237 for the year ended June 30, 2017 to \$6,801,124 for the year ended June 30, 2018. The increase in revenues is primarily because the Town received more capital grant money in 2018. Governmental expenses increased from \$3,997,696 for the year ended June 30, 2017 to \$7,718,830 for the year ended June 30, 2018.

Business-Type Activities

Business-type activities decreased the Town's net position by \$296,386 after transfers in of \$207,242 in from governmental activities, compared to the prior year's decrease of \$288,234 after transfers of \$419,939 from the governmental activities. The wastewater system continues to require transfers to fund operations, repairs and maintenance.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,230,612	\$ 4,154,855	\$ 2,216	\$ 2,216	\$ 3,232,828	\$ 4,157,071
Capital assets, net of accumulated depreciation	12,469,651	12,908,139	5,113,550	5,418,001	17,583,201	18,326,140
Deferred outflow of resources	<u>624,292</u>	<u>1,028,686</u>	<u>3,509</u>	<u>-</u>	<u>627,801</u>	<u>1,028,686</u>
Total assets and deferred outflows of resources	<u>16,324,555</u>	<u>18,091,680</u>	<u>5,119,275</u>	<u>5,420,217</u>	<u>21,443,830</u>	<u>23,511,897</u>
Current and other liabilities	244,356	415,363	42,346	41,426	286,702	456,789
Noncurrent liabilities	10,301,375	10,024,357	293,110	299,667	10,594,485	10,324,024
Deferred inflows of resources	<u>688,469</u>	<u>90,922</u>	<u>1,081</u>	<u>-</u>	<u>689,550</u>	<u>90,922</u>
Total liabilities and deferred inflows of resources	<u>11,234,200</u>	<u>10,530,642</u>	<u>336,537</u>	<u>341,093</u>	<u>11,570,737</u>	<u>10,871,735</u>
NET POSITION						
Net invested in capital assets, net of related debt	5,544,681	5,701,462	4,833,071	5,118,334	10,377,752	10,819,796
Restricted	2,060,572	2,813,783	-	-	2,060,572	2,813,783
Unrestricted	<u>(2,514,898)</u>	<u>(954,207)</u>	<u>(50,333)</u>	<u>(39,210)</u>	<u>(2,565,231)</u>	<u>(993,417)</u>
Total net position	<u>\$ 5,090,355</u>	<u>\$ 7,561,038</u>	<u>\$ 4,782,738</u>	<u>\$ 5,079,124</u>	<u>\$ 9,873,093</u>	<u>\$ 12,640,162</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for Service	\$ 100,967	\$ 90,184	\$ 129,378	\$ 26,051	\$ 230,345	\$ 116,235
Operating grants and contributions	201,669	129,786	-	-	201,669	129,786
Capital grants and contributions	1,635,804	86,832	-	-	1,635,804	86,832
General revenues:						
Taxes	4,787,445	4,041,177	-	-	4,787,445	4,041,177
Other Income	75,239	299,258	-	-	75,239	299,258
Total Revenues	6,801,124	4,647,237	129,378	26,051	6,930,502	4,673,288
EXPENSES						
General Government	3,108,904	1,122,188	-	-	3,108,904	1,122,188
Public Safety	976,147	1,542,790	-	-	976,147	1,542,790
Highways and streets	3,279,403	759,998	-	-	3,279,403	759,998
Cultural and recreation	138,015	354,151	-	-	138,015	354,151
Interest expenses	216,361	218,569	-	-	216,361	218,569
Waste water expenses	-	-	633,006	734,224	633,006	734,224
Total expenses	7,718,830	3,997,696	633,006	734,224	8,351,836	4,731,920
Changes in Net Position before transfers	(917,706)	649,541	(503,628)	(708,173)	(1,421,334)	(58,632)
Transfers	(207,242)	(419,939)	207,242	419,939	-	-
Changes in net position	(1,124,948)	229,602	(296,386)	(288,234)	(1,421,334)	(58,632)
Net Position-Beginning	7,561,038	7,331,436	5,079,124	5,367,358	12,640,162	12,698,794
Net position-Restatement (Note-13)	(1,345,735)	-	-	-	(1,345,735)	-
Net position-beginning-Restated	6,215,303	-	5,079,124	-	11,294,427	-
Net position- ending	\$ 5,090,355	\$ 7,561,038	\$ 4,782,738	\$ 5,079,124	\$ 9,873,093	\$ 12,640,162

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.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,049,501, a decrease of \$869,279 in comparison with the prior year. Approximately 32% of this total amount, or \$988,929, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,060,572 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 decrease in fund balance in the year ended June 30, 2018 is primarily due to the spending of funds that the Town received when it issued notes and bonds payable in prior years for the police station, town administrative offices and municipal court facilities.

Revenues for governmental functions overall totaled \$6,801,124 in the year ended June 30, 2018 which represents an increase of \$2,153,887 from the year ended June 30, 2017. Expenses for governmental functions totaled \$7,718,830 in the year ended June 30, 2018. This was an increase of \$3,721,134 from the fiscal year-ended June 30, 2017. In the fiscal year-ended June 30, 2018, expenses for governmental functions exceeded revenues by approximately \$917,706 (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 \$1,007,975, which consisted of \$0 restricted fund balance and \$1,007,975 unassigned fund balance.

The fund balance of the Town's General Fund increased by \$15,423 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 \$50,333. The total decrease in net position for the proprietary fund was \$296,386. The deficit and decrease in net position were due primarily to the asset management plan and repairs and maintenance in 2018. 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.

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 \$3,597,048. The actual revenues for the fiscal year were \$3,270,282, which is \$326,766 lower than budgeted.

For the year ended June 30, 2018, general fund expenditures (excluding transfer out) were under budget by \$72,100.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018 amount to \$17,583,201 (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 \$649,918 for governmental activities. Infrastructure, furniture, fixtures and equipment and vehicles costing were \$577,805, and land and construction in progress of \$72,113 was added in the year ended June 30, 2018. There were no additions 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 and the application of the principal balances of the notes as of the fiscal year end:

	Capital Assets, Net of depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Construction in Progress	\$ 458,715	\$ 386,602	\$ -	\$ -	\$ 458,715	\$ 386,602
Buildings, Infrastructure, equipment & other.	12,010,936	12,521,537	-	-	12,010,936	12,521,537
Waste water system	-	-	5,113,550	5,418,001	5,113,550	5,418,001
Capital Assets, Net of A/D	<u>\$ 12,469,651</u>	<u>\$ 12,908,139</u>	<u>\$ 5,113,550</u>	<u>\$ 5,418,001</u>	<u>\$ 17,583,201</u>	<u>\$ 18,326,140</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.

The Statement of Net Position shows the Investment in Capital Assets-Governmental and Business-Type Activities in the amount of \$10,377,752. 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.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

During 2018 the Town had no debt issuance. The Town's long term debt is summarized as follows:

Long Term Debt June 30, 2018 and 2017						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Net pension	\$ 2,061,426	\$ 2,747,423	\$ 12,631	\$ -	\$ 2,074,057	\$ 2,747,423
Net OPEB	1,239,413	-	-	-	1,239,413	-
Notes Payable	3,649,970	3,791,677	280,479	299,667	3,930,449	4,091,344
Bonds Payable	3,275,000	3,415,000	-	-	3,275,000	3,415,000
Compensated Absences	<u>75,566</u>	<u>70,257</u>	<u>-</u>	<u>-</u>	<u>75,566</u>	<u>70,257</u>
Total Long Term Debt	<u>\$10,301,375</u>	<u>\$ 10,024,357</u>	<u>\$ 293,110</u>	<u>\$ 299,667</u>	<u>\$ 10,594,485</u>	<u>\$ 10,324,024</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

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investment	\$ 2,802,526	\$ -	\$ 2,802,526
Receivables:	-	-	-
Taxes:	-	-	-
Gross receipt tax	398,481	-	398,481
Property tax	15,541	-	15,541
Gasoline tax	13,477	-	13,477
Other	587	2,216	2,803
Capital assets, net of accumulated depreciation	<u>12,469,651</u>	<u>5,113,550</u>	<u>17,583,201</u>
Total assets	<u>15,700,263</u>	<u>5,115,766</u>	<u>20,816,029</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - Pension	598,189	3,509	601,698
Deferred outflows of resources - OPEB	<u>26,103</u>	<u>-</u>	<u>26,103</u>
Total deferred outflows of resources	<u>624,292</u>	<u>3,509</u>	<u>627,801</u>
Total assets and deferred outflows of resources	<u>16,324,555</u>	<u>5,119,275</u>	<u>21,443,830</u>
LIABILITIES			
Accounts payable	129,030	40,087	169,117
Impact fee deposits	4,065	-	4,065
Accrued payroll and payroll taxes	48,016	-	48,016
Accrued interest payable	63,245	2,259	65,504
Noncurrent liabilities:			
Net pension liability	2,061,426	12,631	2,074,057
Net OPEB liability	1,239,413	-	1,239,413
Notes payable - Due within one year	143,508	19,763	163,271
Notes payable - Due after one year	3,506,462	260,716	3,767,178
Bond payable - Due within one year	150,000	-	150,000
Bond payable - Due after one year	3,125,000	-	3,125,000
Compensated absences - Due within one year	<u>75,566</u>	<u>-</u>	<u>75,566</u>
Total liabilities	<u>10,545,731</u>	<u>335,456</u>	<u>10,881,187</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - Pension	406,381	1,081	407,462
Deferred inflows of resources - OPEB	<u>282,088</u>	<u>-</u>	<u>282,088</u>
Total deferred inflows of resources	<u>688,469</u>	<u>1,081</u>	<u>689,550</u>
Total liabilities and deferred inflows of resources	<u>11,234,200</u>	<u>336,537</u>	<u>11,570,737</u>

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	5,544,681	4,833,071	10,377,752
Restricted for:			
Reserved for special revenue funds	510,573	-	510,573
Reserved for capital projects funds	1,008,275	-	1,008,275
Reserved for debt service funds	541,724	-	541,724
Unrestricted	<u>(2,514,898)</u>	<u>(50,333)</u>	<u>(2,565,231)</u>
Total net position	<u>5,090,355</u>	<u>4,782,738</u>	<u>9,873,093</u>
Total net position, deferred inflows and liabilities	<u>\$ 16,324,555</u>	<u>\$ 5,119,275</u>	<u>\$21,443,830</u>

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 3,108,904	\$ 86,138	\$ 169,271	\$ -
Public safety	976,147	14,829	24,800	-
Highways and streets	3,279,403	-	-	1,635,804
Culture and recreation	138,015	-	7,598	-
Interest expense	<u>216,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>7,718,830</u>	<u>100,967</u>	<u>201,669</u>	<u>1,635,804</u>
Business-type Activities:				
Waste Water	633,006	129,378	-	-
Total business-type activities	<u>633,006</u>	<u>129,378</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,351,836</u>	<u>\$ 230,345</u>	<u>\$ 201,669</u>	<u>\$ 1,635,804</u>

General revenues and transfers:

Gross receipt taxes
Property taxes
Gasoline taxes
Interest income
Other
Transfer

Total general revenues and
transfers

Change in net position

Net position, beginning

Net position-Restatement (Note-14)

Net position-beginning-Restated

Net position, ending

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

<u>Functions/Programs</u>	Primary Government		
	Net (Expense) Revenue and Changes in Net Position		
	Government Activities	Business Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (2,853,495)	\$ -	\$ (2,853,495)
Public safety	(936,518)	-	(936,518)
Highways and streets	(1,643,599)	-	(1,643,599)
Culture and recreation	(130,417)	-	(130,417)
Interest expense	<u>(216,361)</u>	<u>-</u>	<u>(216,361)</u>
Total governmental activities	<u>(5,780,390)</u>	<u>-</u>	<u>(5,780,390)</u>
Business-type Activities:			
Waste Water	-	(503,628)	(503,628)
Total business-type activities	<u>-</u>	<u>(503,628)</u>	<u>(503,628)</u>
Total primary government	<u>(5,780,390)</u>	<u>(503,628)</u>	<u>(6,284,018)</u>
General revenues and transfers:			
Gross receipt taxes	4,033,189	-	4,033,189
Property taxes	604,056	-	604,056
Gasoline taxes	150,200	-	150,200
Interest income	19,577	-	19,577
Other	55,662	-	55,662
Transfer	<u>(207,242)</u>	<u>207,242</u>	<u>-</u>
Total general revenues and transfers	<u>4,655,442</u>	<u>207,242</u>	<u>4,862,684</u>
Change in net position	(1,124,948)	(296,386)	(1,421,334)
Net position, beginning	<u>7,561,038</u>	<u>5,079,124</u>	<u>12,640,162</u>
<i>Net position-Restatement (Note-14)</i>	<u>(1,345,735)</u>	<u>-</u>	<u>(1,345,735)</u>
<i>Net position-beginning-Restated</i>	<u>6,215,303</u>	<u>5,079,124</u>	<u>11,294,427</u>
Net position, ending	<u>\$ 5,090,355</u>	<u>\$ 4,782,738</u>	<u>\$ 9,873,093</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Funds</u>	<u>Capital Projects</u>	<u>299 - Police SP Revenue Fund</u>
ASSETS			
Cash and investment	\$ 909,327	\$ 932,688	\$ -
Receivables:			
Taxes:			
Gross receipt tax	199,186	89,660	109,635
Property tax	-	-	-
Gasoline tax	-	-	-
Other	<u>587</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,109,100</u>	<u>1,022,348</u>	<u>109,635</u>
 LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	-	6,801
Accounts payable	79,527	28,253	4,437
Impact fee deposits	4,065	-	-
Accrued payroll and payroll taxes	<u>17,533</u>	<u>-</u>	<u>17,828</u>
Total liabilities	<u>101,125</u>	<u>28,253</u>	<u>29,066</u>
Deferred inflows:			
Property tax not available	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	-	80,569
Capital projects funds	-	994,095	-
Debt service funds	-	-	-
Unassigned, reported in:			
General fund	1,007,975	-	-
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,007,975</u>	<u>994,095</u>	<u>80,569</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,109,100</u>	<u>\$ 1,022,348</u>	<u>\$ 109,635</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	315 - NMFA Loan 5 Program Funds	Total Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investment	\$ 14,180	\$ 961,937	\$ 2,818,132
Receivables:			
Taxes:			
Gross receipt tax	-	-	398,481
Property tax	-	15,541	15,541
Gasoline tax	-	13,477	13,477
Other	-	-	587
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>14,180</u>	<u>990,955</u>	<u>3,246,218</u>
 LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	8,805	15,606
Accounts payable	-	16,813	129,030
Impact fee deposits	-	-	4,065
Accrued payroll and payroll taxes	-	12,655	48,016
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>38,273</u>	<u>196,717</u>
Deferred inflows:			
Property tax not available	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	430,004	510,573
Capital projects funds	14,180	-	1,008,275
Debt service funds	-	541,724	541,724
Unassigned, reported in:			
General fund	-	-	1,007,975
Special revenue fund	-	(19,046)	(19,046)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,180</u>	<u>952,682</u>	<u>3,049,501</u>
 Total liabilities, deferred inflows and fund balances	<u>\$ 14,180</u>	<u>\$ 990,955</u>	<u>\$ 3,246,218</u>

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

	Governmental fund
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ 3,049,501
Accrued compensated absences not payable from current revenues.	(75,566)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,469,651
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	(2,061,426)
Net OPEB liability	(1,239,413)
Deferred inflows of resources (OPEB & pension)	(688,469)
Deferred outflows of resources (OPEB & pension)	624,292
Notes Payable are not due and payable with current period and, therefore are not reported as Liabilities in the funds:	(3,649,970)
Bond proceeds are not due and payable with current period and, therefore are not reported as Liability in the govt. funds:	(3,275,000)
Accrued interest is not due and payable in the current period and therefore are not reported as liabilities in the governmental funds	(63,245)
Net position - Statement of Net Position	\$ <u>5,090,355</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, 2018**

	<u>General Funds</u>	<u>Capital Projects</u>	<u>299 - Police SP Revenue Fund</u>
REVENUES:			
Taxes	\$ 3,745,924	\$ 267,856	\$ -
Licenses, permits fees and fines	86,137	-	-
Intergovernmental - State	176,868	1,635,804	-
Interest	53	5,556	-
Miscellaneous	<u>53,798</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,062,780</u>	<u>1,909,216</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	2,766,571	-	-
Public safety	527,227	-	-
Highways and streets	-	1,203,092	-
Culture and recreation	-	-	-
Capital outlay	-	649,918	-
Debt service			
Principal payments	-	-	-
Interest payments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,293,798</u>	<u>1,853,010</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>768,982</u>	<u>56,206</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	33,727	-	-
Operating transfers (out)	<u>(787,286)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(753,559)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,423	56,206	-
Fund balance - beginning of year	992,552	768,461	80,569
<i>Restatement</i>	<u>-</u>	<u>169,428</u>	<u>-</u>
Fund balance - beginning of year , <i>Restated</i>	<u>992,552</u>	<u>937,889</u>	<u>80,569</u>
Fund balance - end of year	<u>\$ 1,007,975</u>	<u>\$ 994,095</u>	<u>\$ 80,569</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, 2018**

	315 - NMFA		
	Loan 5	Total	Total
	Program	Nonmajor	Governmental
	Funds	Funds	Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Taxes	\$ -	\$ 785,039	\$ 4,798,819
Licenses, permits fees and fines	-	14,829	100,966
Intergovernmental - State	-	24,800	1,837,472
Interest	9,200	4,770	19,579
Miscellaneous	-	1,865	55,663
	<u>9,200</u>	<u>831,303</u>	<u>6,812,499</u>
Total revenues			
EXPENDITURES:			
Current:			
General government	-	8,509	2,775,080
Public safety	-	33,011	560,238
Highways and streets	1,239,082	543,133	2,985,307
Culture and recreation	-	4,999	4,999
Capital outlay	-	-	649,918
Debt service			
Principal payments	-	281,707	281,707
Interest payments	-	217,287	217,287
	<u>1,239,082</u>	<u>1,088,646</u>	<u>7,474,536</u>
Total expenditures			
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,229,882)</u>	<u>(257,343)</u>	<u>(662,037)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	585,126	618,853
Operating transfers (out)	-	(38,809)	(826,095)
	<u>-</u>	<u>546,317</u>	<u>(207,242)</u>
Total other financing sources (uses)			
Net change in fund balances	(1,229,882)	288,974	(869,279)
Fund balance - beginning of year	1,244,062	706,644	3,792,288
<i>Restatement</i>	<u>-</u>	<u>(42,936)</u>	<u>126,492</u>
Fund balance - beginning of year , <i>Restated</i>	<u>1,244,062</u>	<u>663,708</u>	<u>3,918,780</u>
Fund balance - end of year	<u>\$ 14,180</u>	<u>\$ 952,682</u>	<u>\$ 3,049,501</u>

**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, 2018**

	Governmental fund
Amounts reported for governmental activities in the statement of Activities are different because:	
Net changes in fund balances -Total governmental funds	\$ (869,279)
<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	(1,088,406)
Capital outlay	649,918
<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	(59,959)
Net OPEB expenses	(23,171)
<p>The repayment of the principal of notes payable and accrued interest consumes current financial resources of governmental funds</p>	
Decrease (Increase) in accrued interest payable	281,707 926
Property Taxes that do not meet the available criteria	(11,375)
Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.	(5,309)
Change in net position - governmental activities	\$ <u>(1,124,948)</u>

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

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

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,749,450	\$ 1,749,450	\$ 1,433,733	\$ (315,717)
Licenses, permits fees and fines	82,294	119,464	119,464	-
Intergovernmental - State	1,301,339	1,693,458	1,682,409	(11,049)
Miscellaneous	<u>12,518</u>	<u>34,676</u>	<u>34,676</u>	<u>-</u>
Total revenues	<u>3,145,601</u>	<u>3,597,048</u>	<u>3,270,282</u>	<u>(326,766)</u>
EXPENDITURES:				
Current:				
General government	1,270,586	1,341,291	1,302,782	38,509
Culture and recreation	212,390	334,451	301,456	32,995
Public safety	<u>354,601</u>	<u>403,265</u>	<u>402,669</u>	<u>596</u>
Total expenditures	<u>1,837,577</u>	<u>2,079,007</u>	<u>2,006,907</u>	<u>72,100</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,308,024</u>	<u>1,518,041</u>	<u>1,263,375</u>	<u>(254,666)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	<u>(808,558)</u>	<u>(808,558)</u>	<u>(489,656)</u>	<u>318,902</u>
Total other financing sources (uses)	<u>(808,558)</u>	<u>(808,558)</u>	<u>(489,656)</u>	<u>318,902</u>
Net change in fund balances	499,466	709,483	773,719	64,236
Fund balance - beginning of year	<u>738,314</u>	<u>685,647</u>	<u>1,317,179</u>	<u>631,532</u>
Fund balance - end of year	<u>\$ 1,237,780</u>	<u>\$ 1,395,130</u>	<u>2,090,898</u>	<u>\$ 695,768</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balances-cash basis			\$ 773,719	
Adjustments to revenues			826,225	
Adjustments to expenditures			<u>(1,584,521)</u>	
Net change in fund balances-GAAP basis			<u>\$ 15,423</u>	

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
POLICE SP REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual on	Variance with
	<u>Original</u>	<u>Final</u>	Budgetary	Final Budget -
			Basis	Favorable
				<u>(Unfavorable)</u>
REVENUES:				
Intergovernmental - State	<u>1,865</u>	<u>1,865</u>	<u>1,865</u>	<u>-</u>
Total revenues	<u>1,865</u>	<u>1,865</u>	<u>1,865</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	<u>8,743</u>	<u>8,743</u>	<u>8,509</u>	<u>234</u>
Total expenditures	<u>8,743</u>	<u>8,743</u>	<u>8,509</u>	<u>234</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,878)</u>	<u>(6,878)</u>	<u>(6,644)</u>	<u>234</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balances	33,122	33,122	33,356	234
Fund balance - beginning of year	<u>(409,313)</u>	<u>(341,647)</u>	<u>84,015</u>	<u>425,662</u>
Fund balance - end of year	<u>\$ (376,191)</u>	<u>\$ (308,525)</u>	<u>117,371</u>	<u>\$ 425,896</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balances-cash basis			\$ 33,356	
Adjustments to revenues			(41,865)	
Adjustments to expenditures			<u>8,509</u>	
Net change in fund balances-GAAP basis			<u>\$ -</u>	

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
PROPRIETARY FUNDS - STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>503 - Wastewater Fund</u>
ASSETS	
Current assets:	
Accounts receivable	\$ 2,216
Total current assets	<u>2,216</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>5,113,550</u>
Total assets	<u>5,115,766</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pension	<u>3,509</u>
Total Deferred outflow of resources	<u>3,509</u>
Total assets and deferred outflow of resources	<u>5,119,275</u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	40,087
Accrued interest payable	2,259
Current maturities of note payable	<u>19,763</u>
Total current liabilities	<u>62,109</u>
Non current liabilities:	
Net pension liability	12,631
Notes payable	<u>260,716</u>
Total liabilities	<u>335,456</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pension	<u>1,081</u>
Total Deferred inflow of resources	<u>1,081</u>
Total liabilities and deferred inflow of resources	<u>336,537</u>
NET POSITION	
Net investment in capital assets	4,833,071
Unrestricted	<u>(50,333)</u>
Total net position	<u>4,782,738</u>
Total net position and liabilities	<u>\$ 5,119,275</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
- PROPRIETARY FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>503 - Wastewater Fund</u>
<i>Operating revenues:</i>	
Services fees	\$ 129,378
Environmental grant	<u>-</u>
Total operating revenues	<u>129,378</u>
<i>Operating expenses:</i>	
Professional services	186,755
State shared taxes	1,496
Repairs and maintenance	36,397
Supplies	31,957
Utilities	63,115
Depreciation	<u>304,451</u>
Total operating expenses	624,171
<i>Operating income (loss)</i>	<u>(494,793)</u>
Non-operating expenses:	
Interest expense	<u>(8,835)</u>
<i>Income/(Loss) before transfer</i>	<u>(503,628)</u>
Transfers:	
Transfers In/(out)	<u>207,242</u>
Change in net position	<u>(296,386)</u>
Net position - beginning of year	<u>5,079,124</u>
Net position - end of year	<u>\$ 4,782,738</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>503 - Wastewater Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 129,378
Cash payments to vendors for goods and services	<u>(308,597)</u>
Net cash used in operating activities	<u>(179,219)</u>
Cash flows from capital and related financing activities:	
Payments on notes payable	(19,188)
Payments for interest on notes payable	<u>(8,835)</u>
Net cash used in capital and related financing activities	<u>(28,023)</u>
Cash flows from noncapital financing activities:	
Transfer in	<u>207,242</u>
Net cash provided by noncapital financing activities	<u>207,242</u>
Net change in cash	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
<u>Reconciliation of operating loss to net cash used in operating activities:</u>	
Operating loss	\$ (494,793)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	304,451
Pension plan items	10,203
Changes in assets and liabilities:	
Accrued interest payable	(155)
Accounts payable	<u>1,075</u>
Total adjustments	<u>305,371</u>
Net cash used in operating activities	<u>\$ (179,219)</u>

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>19,412</u>
Total assets	<u>19,412</u>
LIABILITIES	
Due to other entities	<u>19,412</u>
Total liabilities	\$ <u><u>19,412</u></u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018.

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two 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, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the Town's bank balance total of \$2,922,715 was exposed to credit risk in the amount of \$1,620,366 as Follow:

Uninsured and collateral held by pledging bank's trust department not in the Town's name	\$ 1,041,969
Uninsured and uncollateralized	<u>578,397</u>
Total	<u><u>\$ 1,620,366</u></u>

Reconciliation of Cash and cash equivalents

Cash and cash equivalents per Statement of Net Position	\$ 2,802,526
Cash per Statement of Fiduciary Net Position	19,412
Less: Petty cash	(100)
Add outstanding checks and other reconciling items	<u>100,877</u>
Bank balance of deposits	<u><u>\$ 2,922,715</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, 2018, 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, 2018, the Town has no items classified as investments

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2018 was as follows:

	Beginning Balance	Additions	Transfer	Adjustment	Ending Balance
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 257,449	\$ -	\$ -	\$ -	\$ 257,449
Constructions in progress	129,153	90,715	(18,602)	-	201,266
Total capital assets not being depreciated	<u>386,602</u>	<u>90,715</u>	<u>(18,602)</u>	<u>-</u>	<u>458,715</u>
Capital assets being depreciated:					
Buildings, structures and improvements	4,274,975	253,982	480,384	-	5,009,341
Road equipment	754,363	8,920	-	-	763,283
Infrastructure	10,089,834	-	(461,782)	-	9,628,052
Furniture, fixtures and equipment	237,980	-	-	-	237,980
Vehicles	555,620	296,301	-	-	851,921
Total capital assets being depreciated	<u>15,912,772</u>	<u>559,203</u>	<u>18,602</u>	<u>-</u>	<u>16,490,577</u>
Less: accumulated depreciation for:					
Buildings, structures and improvements	520,081	467,379	(380,857)	-	606,603
Road equipment	601,370	21,304	-	-	622,674
Infrastructure	1,676,718	384,082	380,857	-	2,441,657
Furniture, fixtures and equipment	191,437	9,526	-	-	200,963
Vehicles	401,629	206,115	-	-	607,744
Total accumulated depreciation	<u>3,391,235</u>	<u>1,088,406</u>	<u>-</u>	<u>-</u>	<u>4,479,641</u>
Total capital assets, depreciated, net	<u>12,521,537</u>	<u>(529,203)</u>	<u>18,602</u>	<u>-</u>	<u>12,010,936</u>
Governmental activities capital assets, net	<u>\$12,908,139</u>	<u>\$ (438,488)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,469,651</u>

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

Governmental activities:	
General government	\$ 245,385
Public safety	415,909
Highways and streets	294,096
Culture and recreation	<u>133,016</u>
Total governmental activities depreciation expense	<u>\$ 1,088,406</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2018 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	\$ -	\$ -	\$ 7,611,278
Total capital assets being depreciated	<u>7,611,278</u>	<u>-</u>	<u>-</u>	<u>7,611,278</u>
Less: accumulated depreciation for:				
Waste Water System	<u>2,193,277</u>	<u>304,451</u>	<u>-</u>	<u>2,497,728</u>
Total accumulated depreciation	<u>2,193,277</u>	<u>304,451</u>	<u>-</u>	<u>2,497,728</u>
Business-type activities capital assets, net	<u>\$ 5,418,001</u>	<u>\$ (304,451)</u>	<u>\$ -</u>	<u>\$ 5,113,550</u>

NOTE 4. LONG-TERM OBLIGATIONS

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due within one year</u>
<u>Governmental activities:</u>					
NMFA Edgewood 3	\$ 1,250,091	\$ -	\$ 76,128	\$ 1,173,963	\$ 77,299
NMFA Edgewood 5	2,541,586	-	65,579	2,476,007	66,209
GO BOND	3,415,000	-	140,000	3,275,000	150,000
Compensated absences	<u>70,257</u>	<u>105,894</u>	<u>100,585</u>	<u>75,566</u>	<u>75,566</u>
	<u>\$ 7,276,934</u>	<u>\$ 105,894</u>	<u>\$ 382,292</u>	<u>\$ 7,000,536</u>	<u>\$ 369,074</u>
<u>Business Type Activities:</u>					
RIP Loan	<u>\$ 299,667</u>	<u>\$ -</u>	<u>\$ (19,188)</u>	<u>\$ 280,479</u>	<u>\$ 19,763</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, 2018**

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

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 tax are paid directly to NMFA by the state distributing entity.

Loan debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	77,299	35,562	112,861
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
2023-2027	458,587	103,511	562,098
2028-2031	<u>312,975</u>	<u>23,278</u>	<u>336,253</u>
	<u>\$ 1,173,963</u>	<u>\$ 288,177</u>	<u>\$ 1,462,140</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 tax are paid directly to NMFA by the state distributing entity.

Loan debt service requirements to maturity are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	66,209	84,800	151,009
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
2024-2028	378,535	376,509	755,044
2029-2033	440,822	314,221	755,043
2034-2038	528,137	226,907	755,044
2039-2043	642,632	112,412	755,044
2044	<u>144,922</u>	<u>6,087</u>	<u>151,009</u>
	<u>\$ 2,476,007</u>	<u>\$ 1,450,222</u>	<u>\$ 3,926,229</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

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>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	150,000	102,593	252,593
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
2024-2028	990,000	363,369	1,353,369
2029-2033	1,050,000	187,205	1,237,205
2034-2035	<u>420,000</u>	<u>17,315</u>	<u>437,315</u>
	<u>\$ 3,275,000</u>	<u>\$ 1,050,557</u>	<u>\$ 4,325,557</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>
2019	19,763	8,414	28,177
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
2024-2028	121,637	19,251	140,888
2029-2030	<u>53,916</u>	<u>2,438</u>	<u>56,354</u>
	<u>\$ 280,479</u>	<u>\$ 57,652</u>	<u>\$ 338,131</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 consisted of the following amounts:

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
<u>Governmental Funds:</u>			
Major funds:		Major funds:	
General funds	\$ 33,727	General funds	\$ 787,286
Non-major:		Non-major:	
Total nonmajor funds	585,126	Total nonmajor funds	38,809
<u>Proprietary Funds:</u>			
Wastewater Fund	207,242	Wastewater Fund	-
Total	<u>\$ 826,095</u>	Total	<u>\$ 826,095</u>

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.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

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

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

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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution %		Employer Contribution %	Pension Factor per year of Service		Pension Maximums as % 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%
Municipal Plan 2(plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3(plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4(plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90%
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%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90%

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2017. 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. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

For PERA Fund Division Municipal General at June 30, 2018, the Town reported a liability of \$1,069,038 for its proportionate share of the net pension liability. At June 30, 2017, the Town’s proportion was 0.0778 percent, which was an increase of 0.0006 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized PERA Fund – General, pension expense of \$137,702. At June 30, 2018, 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>
Differences between expected and actual experience	\$ 42,006	\$ 54,753
Net difference between projected and actual earnings on pension plan investments	87,708	
Changes of assumptions	49,299	11,047
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,149	25,652
Town's contributions subsequent to the measurement date	<u>89,838</u>	<u> </u>
Total	<u>\$ 297,000</u>	<u>\$ 91,452</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

\$89,838 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2019	38,665
2020	87,886
2021	14,790
2022	<u>(25,631)</u>
Total	<u>\$ 115,710</u>

For PERA Fund Division Municipal Police at June 30, 2018, the Town reported a liability of \$1,005,019 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was 0.1809 percent, which was a decrease of 0.0243 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized PERA Fund – General, pension expense of \$91,541. At June 30, 2018, 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>
Differences between expected and actual experience	\$ 61,040	\$ 187,778
Net difference between projected and actual earnings on pension plan investments	80,940	
Changes of assumptions	59,795	23,370
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,025	104,862
Town's contributions subsequent to the measurement date	<u>95,898</u>	
Total	<u>\$ 304,698</u>	<u>\$ 316,010</u>

\$95,898 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Year ended June 30:	Amount
2019	\$ (35,876)
2020	11,736
2021	(59,403)
2022	(23,667)
Total	\$ (107,210)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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:

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50 %	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00 %</u>	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 7.51 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
<u>PERA Fund Division – General Division</u>			
Town's proportionate share of the net pension liability	<u>\$ 1,675,535</u>	<u>\$ 1,069,038</u>	<u>\$ 564,651</u>
<u>PERA Fund Division – Police Division</u>			
Town's proportionate share of the net pension liability	<u>\$ 1,602,726</u>	<u>\$ 1,005,019</u>	<u>\$ 514,512</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

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

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

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

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are nonrefundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Town were \$26,103 for the year ended June 30, 2018.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONT'D)**

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

At June 30, 2018, the Town reported a liability of \$1,239,413 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town's proportion was 0.02735 percent.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$49,274. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$ 47,562
Change of assumptions		216,696
Difference between actual and projected earnings on OPEB plan investments		17,830
Contributions made after the measurement date	26,103	
Total	<u>\$ 26,103</u>	<u>\$ 282,088</u>

Deferred outflows of resources totaling \$26,103 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(59,974)
2020		(59,974)
2021		(59,974)
2022		(59,974)
2023		(42,192)
Total	<u>\$</u>	<u>(282,088)</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN-(CONT'D)

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	2.5% for ERB; 2.25% for PERA
Projected payroll increases	3.5%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-medicare medical plan costs and 7.5% graded down to 4.5% over 12 for medicare medical plan costs.

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	4.1%
U.S. equity - large cap	9.1%
Non U.S. -emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN-(CONT'D)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

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

1% Decrease	Current Discount	1% Increase
(2.81)%	(3.81)%	4.81%
\$ 1,503,388	\$ 1,239,413	\$ 1,032,300

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
\$ 1,054,206	\$ 1,239,413	\$ 1,383,828

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

Payable Changes in the Net OPEB Liability. The Town doesn't have any amount due to the plan as on June 30, 2018.

NOTE 10. CONSTRUCTION COMMITMENTS

As of June 30, 2018, the Town has construction in progress totaling \$201,266 and has a remaining construction commitment of \$449,000 for Church Street improvements. Horrocks Engineers started the design work for Church Street paving project. The construction is funded through the issuance of debt.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11. RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$2,060,572 of restricted component of net position that is restricted by enabling legislation.

NOTE 12. DEFICIT FUND BALANCE

As of June 30, 2018, The Library fund had a deficit fund balance of \$13,987 and the Recreation fund had a deficit fund balance of \$5,059.

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. NET POSITION RESTATEMENT

A prior period adjustment of \$1,472,227 has been reflected in the Town's financial statements to record the net OPEB asset/liability, deferred outflows/inflows, and adjusted OPEB expense and net position in accordance to GASB 75.

Beginning net position as previously reported at June 30, 2017	\$ 7,561,038
Prior period adjustment - Implementation GASB 75:	
Net OPEB liability (measurement date)	(1,495,707)
Deferred outflows -Town's contributions made during fiscal year 2017	23,480
Total prior period adjustment	(1,472,227)
Net position as restated, July 1, 2017	\$ 6,088,811

Additionally, during the fiscal year ended June 30, 2018, the Town determined that changes to the beginning of year net position and fund balances were necessary due to incorrect prior year cash and account payable balances in the amounts of (\$42,936) and \$169,428 respectively. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$ 126,492 to its fund and government-wide financial statements.

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, 2018.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NOTES TO THE FINANCIAL STATEMENTS
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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, 2018**

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.

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.

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.

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 organisation. 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 veterans 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.

Revitalization of Route 66. To account for the receipts and expenditures related to the revitalization of Route 66. Authority is by Town resolution.

CAPITAL PROJECTS FUNDS

Public Works. To account for grants appropriations, and other receipts and expenditures related to the public works building. Authority is by Town resolution.

Wind Turbine. To account for the grants, appropriations, and other receipts and expenditures related to the wind turbine. Authority is by Town resolution.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
NONMAJOR FUNDS DESCRIPTION
JUNE 30, 2018**

DEBT SERVICE FUNDS

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

Public Works Intercept. To account for the debt service on the NMFA loan 3. 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.

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.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	201 - Correction Fund	210 - Lodgers tax	211 - Law Enforcement Fund
ASSETS			
Cash and investment	\$ 97,158	\$ 19,408	\$ 16,705
Receivables:			
Taxes:			
Property tax	-	-	-
Gasoline tax	-	-	-
Total assets	<u>97,158</u>	<u>19,408</u>	<u>16,705</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Accrued payroll and payroll taxes	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows:			
Property tax not available	-	-	-
Fund balances:			
Restricted, reported in:			
Special revenue fund	97,158	19,408	16,705
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	-	-	-
Total fund balances	<u>97,158</u>	<u>19,408</u>	<u>16,705</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 97,158</u>	<u>\$ 19,408</u>	<u>\$ 16,705</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	213 - Library Fund	216 - Municipal Street Fund	217 - Recreation Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investment	\$ -	\$ 218,582	\$ -
Receivables:			
Taxes:			
Property tax	-	-	-
Gasoline tax	-	13,477	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u> </u>	<u>232,059</u>	<u> </u>
 LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	8,636	-	169
Accounts payable	2,177	7,428	3,956
Accrued payroll and payroll taxes	3,174	8,547	934
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>13,987</u>	<u>15,975</u>	<u>5,059</u>
Deferred inflows:			
Property tax not available	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	216,084	-
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	<u>(13,987)</u>	<u> </u>	<u>(5,059)</u>
Total fund balances	<u>(13,987)</u>	<u>216,084</u>	<u>(5,059)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 232,059</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	224 - Capital Replacement Fund	225 - Animal Shelter Fund	226 - Veterans Memorial Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investment	\$ 40,000	\$ 6,367	\$ 250
Receivables:			
Taxes:			
Property tax	-	-	-
Gasoline tax	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>40,000</u>	<u>6,367</u>	<u>250</u>
 LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Accrued payroll and payroll taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows:			
Property tax not available	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted, reported in:			
Special revenue fund	40,000	6,367	250
Debt service funds	-	-	-
Unassigned, reported in:			
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>40,000</u>	<u>6,367</u>	<u>250</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 40,000</u>	<u>\$ 6,367</u>	<u>\$ 250</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	227 - Buy A Brick/Playgr ound	229 - Terminal Leave Fund	316 - NMFA 5 Reserve Funds
ASSETS			
Cash and investment	\$ 5,600	\$ 28,432	\$ 151,861
Receivables:			
Taxes:			
Property tax	-	-	-
Gasoline tax	-	-	-
Total assets	<u>5,600</u>	<u>28,432</u>	<u>151,861</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Accrued payroll and payroll taxes	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows:			
Property tax not available	-	-	-
Fund balances:			
Restricted, reported in:			
Special revenue fund	5,600	28,432	-
Debt service funds	-	-	151,861
Unassigned, reported in:			
Special revenue fund	-	-	-
Total fund balances	<u>5,600</u>	<u>28,432</u>	<u>151,861</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,600</u>	<u>\$ 28,432</u>	<u>\$ 151,861</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>317 - NMFA 5 Intercept</u>	<u>401 - Go Bond Debt Service</u>	<u>405 - PW DS Reserve Fund</u>
ASSETS			
Cash and investment	\$ 31,532	\$ 207,293	\$ 113,637
Receivables:			
Taxes:			
Property tax	-	15,541	-
Gasoline tax	-	-	-
Total assets	<u>31,532</u>	<u>222,834</u>	<u>113,637</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Deficit cash	-	-	-
Accounts payable	-	-	-
Accrued payroll and payroll taxes	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows:			
Property tax not available	-	-	-
Fund balances:			
Restricted, reported in:			
Special revenue fund	-	-	-
Debt service funds	31,532	222,834	113,637
Unassigned, reported in:			
Special revenue fund	-	-	-
Total fund balances	<u>31,532</u>	<u>222,834</u>	<u>113,637</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 31,532</u>	<u>\$ 222,834</u>	<u>\$ 113,637</u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	406 - PW DS Intercept	Total Nonmajor Funds
ASSETS		
Cash and investment	\$ 25,112	\$ 961,937
Receivables:		
Taxes:		
Property tax	-	15,541
Gasoline tax	-	13,477
	25,112	990,955
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Deficit cash	-	8,805
Accounts payable	3,252	16,813
Accrued payroll and payroll taxes	-	12,655
	3,252	38,273
Deferred inflows:		
Property tax not available	-	-
Fund balances:		
Restricted, reported in:		
Special revenue fund	-	430,004
Debt service funds	21,860	541,724
Unassigned, reported in:		
Special revenue fund	-	(19,046)
	21,860	952,682
Total fund balances	21,860	952,682
Total liabilities, deferred inflows and fund balances	\$ 25,112	\$ 990,955

**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, 2018**

	<u>201 - Correction Fund</u>	<u>210 - Lodgers tax</u>	<u>211 - Law Enforcement Fund</u>
REVENUES:			
Taxes	\$ -	\$ 19,408	\$ -
Licenses, permits fees and fines	14,829	-	-
Intergovernmental - State	-	-	24,800
Interest	-	-	-
Miscellaneous	-	-	-
	<u>14,829</u>	<u>19,408</u>	<u>24,800</u>
Total revenues			
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	3,740	-	19,969
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	-	-	-
	<u>3,740</u>	<u>-</u>	<u>19,969</u>
Total expenditures			
<i>Excess (deficiency) of revenues over expenditures</i>	<u>11,089</u>	<u>19,408</u>	<u>4,831</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	11,089	19,408	4,831
Fund balance - beginning of year	86,069	-	11,874
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning of year , <i>Restated</i>	<u>86,069</u>	<u>-</u>	<u>11,874</u>
Fund balance - end of year	<u>\$ 97,158</u>	<u>\$ 19,408</u>	<u>\$ 16,705</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, 2018**

	213 - Library Fund	216 - Municipal Street Fund	217 - Recreation Fund
REVENUES:			
Taxes	\$ -	\$ 554,441	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
	-	554,441	-
Total revenues	-	554,441	-
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	543,133	-
Culture and recreation	4,999	-	-
Debt service			
Principal payments	-	-	-
Interest payments	-	-	-
	-	-	-
Total expenditures	4,999	543,133	-
<i>Excess (deficiency) of revenues over expenditures</i>	(4,999)	11,308	-
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	242,414	33,727
Operating transfers (out)	-	-	(33,727)
	-	242,414	-
Total other financing sources (uses)	-	242,414	-
Net change in fund balances	(4,999)	253,722	-
Fund balance - beginning of year	(8,988)	5,298	(5,059)
<i>Restatement</i>	-	(42,936)	-
Fund balance - beginning of year , <i>Restated</i>	(8,988)	(37,638)	(5,059)
Fund balance - end of year	\$ (13,987)	\$ 216,084	\$ (5,059)

**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, 2018**

	<u>224 - Capital Replacement Fund</u>	<u>225 - Animal Shelter Fund</u>	<u>226 - Veterans Memorial Fund</u>
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	-	-
Miscellaneous	-	1,865	-
	<hr/>	<hr/>	<hr/>
Total revenues	-	1,865	-
EXPENDITURES:			
Current:			
General government	-	8,509	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	8,509	-
<i>Excess (deficiency) of revenues over expenditures</i>	<hr/>	<hr/>	<hr/>
	-	(6,644)	-
OTHER FINANCING SOURCES (USES):			
Operating transfers in	20,000	-	-
Operating transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	20,000	-	-
Net change in fund balances	20,000	(6,644)	-
Fund balance - beginning of year	20,000	13,011	250
<i>Restatement</i>	<hr/>	<hr/>	<hr/>
	-	-	-
Fund balance - beginning of year , <i>Restated</i>	<hr/>	<hr/>	<hr/>
	20,000	13,011	250
Fund balance - end of year	<u>\$ 40,000</u>	<u>\$ 6,367</u>	<u>\$ 250</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, 2018**

	227 - Buy A Brick/Playgr ound	229 - Terminal Leave Fund	316 - NMFA 5 Reserve Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	-	-	1,991
Miscellaneous	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u> </u>	<u> </u>	<u>1,991</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal payments	-	-	-
Interest payments	<u> </u>	<u> </u>	<u> </u>
	<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> </u>	<u>1,991</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	20,000	-
Operating transfers (out)	<u> </u>	<u> </u>	<u>(2,907)</u>
Total other financing sources (uses)	<u> </u>	<u>20,000</u>	<u>(2,907)</u>
Net change in fund balances	-	20,000	(916)
Fund balance - beginning of year	5,600	8,432	152,777
<i>Restatement</i>	<u> </u>	<u> </u>	<u> </u>
Fund balance - beginning of year , <i>Restated</i>	<u>5,600</u>	<u>8,432</u>	<u>152,777</u>
Fund balance - end of year	<u>\$ 5,600</u>	<u>\$ 28,432</u>	<u>\$ 151,861</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, 2018**

	317 - NMFA 5 Intercept	401 - Go Bond Debt Service	405 - PW DS Reserve Fund
REVENUES:			
Taxes	\$ -	\$ 211,190	\$ -
Licenses, permits fees and fines	-	-	-
Intergovernmental - State	-	-	-
Interest	679	-	1,489
Miscellaneous	-	-	-
	<u>679</u>	<u>211,190</u>	<u>1,489</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	9,302	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal payments	141,707	140,000	-
Interest payments	<u>-</u>	<u>104,386</u>	<u>-</u>
Total expenditures	<u>151,009</u>	<u>244,386</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(150,330)</u>	<u>(33,196)</u>	<u>1,489</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	153,916	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(2,175)</u>
Total other financing sources (uses)	<u>153,916</u>	<u>-</u>	<u>(2,175)</u>
Net change in fund balances	3,586	(33,196)	(686)
Fund balance - beginning of year	27,946	256,030	114,323
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning of year , <i>Restated</i>	<u>27,946</u>	<u>256,030</u>	<u>114,323</u>
Fund balance - end of year	<u>\$ 31,532</u>	<u>\$ 222,834</u>	<u>\$ 113,637</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, 2018**

	406 - PW DS <u>Intercept</u>
REVENUES:	
Taxes	\$ -
Licenses, permits fees and fines	-
Intergovernmental - State	-
Interest	611
Miscellaneous	<u>-</u>
Total revenues	<u>611</u>
EXPENDITURES:	
Current:	
General government	-
Public safety	-
Highways and streets	-
Culture and recreation	-
Debt service	
Principal payments	-
Interest payments	<u>112,901</u>
Total expenditures	<u>112,901</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(112,290)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers in	115,069
Operating transfers (out)	<u>-</u>
Total other financing sources (uses)	<u>115,069</u>
Net change in fund balances	2,779
Fund balance - beginning of year	19,081
<i>Restatement</i>	<u>-</u>
Fund balance - beginning of year , <i>Restated</i>	<u>19,081</u>
Fund balance - end of year	<u><u>\$ 21,860</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, 2018**

	<u>Total Nonmajor Funds</u>
REVENUES:	
Taxes	\$ 785,039
Licenses, permits fees and fines	14,829
Intergovernmental - State	24,800
Interest	4,770
Miscellaneous	<u>1,865</u>
Total revenues	<u>831,303</u>
EXPENDITURES:	
Current:	
General government	8,509
Public safety	33,011
Highways and streets	543,133
Culture and recreation	4,999
Debt service	
Principal payments	281,707
Interest payments	<u>217,287</u>
Total expenditures	<u>1,088,646</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(257,343)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers in	585,126
Operating transfers (out)	<u>(38,809)</u>
Total other financing sources (uses)	<u>546,317</u>
Net change in fund balances	288,974
Fund balance - beginning of year	706,644
<i>Restatement</i>	<u>(42,936)</u>
Fund balance - beginning of year , <i>Restated</i>	<u>663,708</u>
Fund balance - end of year	<u><u>\$ 952,682</u></u>

**PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

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

<u>Public Employees Retirement Association (PERA) Plan:</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town of Edgewood's proportion of the net pension liability (asset)	0.0778%	0.0772%	.0747%	.0747%
Town of Edgewood's proportionate share of the net pension liability (asset)	\$1,069,038	\$1,233,397	\$ 836,061	\$ 582,740
Town of Edgewood's covered-employee payroll	\$ 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	148.78%	165.41%	110.66%	78.65%
Plan fiduciary net position as a percentage of the total pension liability	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 THE TOWN OF EDGEWOOD'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

<u>Public Employees Retirement Association (PERA) Plan:</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town of Edgewood's proportion of the net pension liability (asset)	0.1809%	0.2052%	0.2090%	0.2039%
Town of Edgewood's proportionate share of the net pension liability (asset)	\$1,005,019	\$1,514,026	\$ 1,004,989	\$ 664,692
Town of Edgewood's covered-employee payroll	\$ 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	201.17%	310.35%	180.57%	129.27%
Plan fiduciary net position as a percentage of the total pension liability	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 THE TOWN OF EDGEWOOD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL GENERAL
LAST 10 FISCAL YEARS***

<u>PERA Fund Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 89,838	\$ 61,897	\$ 59,824	\$ 60,293
Contributions in relation to the contractually required contribution	<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>

*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 THE TOWN OF EDGEWOOD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL POLICE
LAST 10 FISCAL YEARS***

<u>PERA Fund Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 95,898	\$ 100,489	\$ 77,149	\$ 77,417
Contributions in relation to the contractually required contribution	<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>

*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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2018*
Employer's proportionate of the net OPEB liability	0.02735%
Employer's proportionate share of the net OPEB liability	1,239,413
Employer covered-employee payroll	1,139,305
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

SCHEDULE OF CONTRIBUTIONS - OPEB

	2018*
Contractually required contribution	\$ 86,849
Contribution in relation to the contractually required contribution	43,589
Contribution deficiency (excess)	43,260
Employer's covered-employee payroll	\$ 1,139,305
Contribution as a percentage of covered-employee payroll	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.

OTHER SUPPLEMENTAL INFORMATION

FIDUCIARY FUNDS

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Beginning Balance</u>	<u>Increase/ Receipts</u>	<u>Decrease/ Disbursements</u>	<u>Ending Balance</u>
IMPACT FEE FUND:				
ASSETS				
Cash	<u>\$ 18,303</u>	<u>\$ 35,606</u>	<u>\$ (34,497)</u>	<u>\$ 19,412</u>
Total assets	<u>18,303</u>	<u>35,606</u>	<u>(34,497)</u>	<u>19,412</u>
LIABILITIES				
Due to other entities	<u>18,303</u>	<u>35,606</u>	<u>(34,497)</u>	<u>19,412</u>
Total liabilities	<u><u>\$ 18,303</u></u>	<u><u>\$ 35,606</u></u>	<u><u>\$ (34,497)</u></u>	<u><u>\$ 19,412</u></u>

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2018**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
<i>Wells Fargo Bank</i>				
General Pooled Cash	Non-interest bearing checking	\$ 1,847,678	\$ (98,328)	\$ 1,749,350
Certificate of Deposit	CD	250,727	-	250,727
<i>Bank of the West</i>				
Certificate of Deposit	CD	5,796	-	5,796
Petty Cash		100	-	100
Total deposits - non-agency		<u>2,104,301</u>	<u>(98,328)</u>	<u>2,005,973</u>
<i>New Mexico Finance Authority</i>				
GO Bond Program Funds	Cash held by NMFA	460,231	-	460,231
NMFA 5 Program Fund	Cash held by NMFA	14,180	-	14,180
NMFA 5 Reserve Fund	Cash held by NMFA	151,861	-	151,861
NMFA 5 Intercept	Cash held by NMFA	31,532	-	31,532
NMFA 3 Reserve	Cash held by NMFA	113,637	-	113,637
NMFA 3 Intercept	Cash held by NMFA	25,112	-	25,112
Total cash held by NMFA		<u>796,553</u>	<u>-</u>	<u>796,553</u>
Total deposit and cash held by NMFA accounts- non-agency		<u>\$ 2,900,854</u>	<u>\$ (98,328)</u>	<u>\$ 2,802,526</u>
Agency funds cash accounts:				
<i>Wells Fargo Bank</i>				
Impact Fee Account	Non-interest bearing checking	<u>\$ 21,961</u>	<u>\$ (2,549)</u>	<u>\$ 19,412</u>

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

<u>Description of Pledged Collateral</u>	<u>Wells Fargo</u>	<u>Bank of the West</u>	<u>Total</u>
Deposits at June 30, 2018	\$ 2,120,366	\$ 5,796	\$ 2,126,162
Less: FDIC coverage	<u>500,000</u>	<u>5,796</u>	<u>505,796</u>
Uninsured public funds	1,620,366	-	1,620,366
Pledged collateral held by the pledging bank's trust department or agent but not in the Town's name	<u>1,041,969</u>	<u>-</u>	<u>1,041,969</u>
Uninsured and uncollateralized	<u>\$ 578,397</u>	<u>\$ -</u>	<u>\$ 578,397</u>
50% pledged collateral requirement per statute	\$ 810,183		
Total pledged collateral	<u>1,041,969</u>		
Pledged collateral exceeding the requirements	<u>\$ 231,786</u>		

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FMAC FGPS 3.00%	3128MMS79	2/1/30	\$ 273,710
FMAC FGPC 3.50%	3132GRZN4	3/1/42	<u>768,259</u>
	Total Market Value		<u>\$ 1,041,969</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, 2018**

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. Wayne A. Johnson,
New Mexico State Auditor
The 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, 2018, 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 14, 2018.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-004 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2018-002 and 2018-003 to be significant deficiencies.

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 instance 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 2018-001.

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
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
December 14, 2018

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION I - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2018-001 Other Noncompliance - Improper Mileage Reimbursement - (Prior year finding Number 2017-001)

Condition:

During our testing of travel and per diem, we noted 2 out of 33 instances totaling \$747, were lodging expenses in excess of \$215 per night that was paid without proper approval. The Town did not make any progress in resolving this finding.

Criteria:

The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, Travel and Per Diem Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. 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.

Cause:

The Town personnel has not followed state guidelines in regards to reimbursement for lodging.

Effect:

The Town is not in compliance with NMSA 1978, section 2.42.2.9 (1) 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. Also, the Town needs to develop and implement policies and procedures that will ensure compliance with the travel and per diem requirements as set forth by NMAC 2.42.2.9.

Management Response

The Town will comply with the Per Diem and Mileage Act. The Clerk-Treasurer is responsible for correcting this audit finding. The Town will implement a policy and procedure compliance with the act. The policy will ensure mileage rates are updated on an annual basis and that all lodging expenses in excess of \$215 per night are approved in advance.

Responsible party

Juan Torres – Clerk/Treasurer

Estimated Completion date

06/30/2019

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION I - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2018-002 Annual Inventory Certification (Significant Deficiency)

Condition:

The Town did not perform an annual capital asset inventory certification of their capital asset listing.

Criteria:

According to 2.2.2.10 W (2), Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

Cause:

The Town has not conducted a physical inventory count at year end.

Effect:

The Town is not in compliance with the statutory requirement of conducting an annual inventory. Additionally, without conducting a physical inventory count, 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 could also be misstated.

Recommendation:

We recommend the Town implement a system to accurately track, maintain and update changes in inventory on an annual basis. Also to implement a formal policy relating to capital assets that require tagging of capital assets and an annual inventory count to be performed at year end which should be certified by the Town's Board of Trustees.

Management Response

The Town performs annual physical inventory at year end. The Clerk-Treasurer is responsible for correcting this audit finding. The Town is in the process of creating and implementing a formal policy and procedure for capital asset inventory. This new policy will require compliance with 12-6-10 NMSA 1978, specifically, the Town's Governing Body will certify the annual capital asset inventory.

Responsible party

Juan Torres – Clerk/Treasurer

Estimated Completion date

06/30/2019

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION I - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2018-003 - Payroll (Significant Deficiency)

Condition:

During our test work of 15 employees' personnel files, we noted that the employees did not have documentation of a performance evaluation during the year.

Criteria:

As per the Town's personnel policies, employees' evaluations shall be done at least once annually.

Cause:

The Town's payroll policies were not adequately enforced.

Effect:

Without proper feedback, there is a possibility that employees could be performing their duties incorrectly, and without a documented evaluation it would be difficult for the Town to correct this.

Auditor's Recommendation:

We recommend that the Town should document performance evaluations for each employee.

Management Response

The Town is in the process of updating its policy and procedure for employee evaluations. The Clerk-Treasurer is responsible for correcting this audit finding. The Town will have an updated policy and procedure for evaluations within the year and will have it implemented.

Responsible party

Juan Torres – Clerk/Treasurer

Estimated Completion date

06/30/2019

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION I - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2018-004- Lack of Policies, Procedures and Internal Controls - (Material weakness)

Condition:

The Town does not have a comprehensive documented internal control structure. We noted the following areas which the Town does not have sufficient key internal controls in place.

- A lack of segregation of duties and controls in regards to journal entries.
- A lack of Review Process over Bank Reconciliations; it was noted that there was no evidence of segregation of duties, through either a signature of a preparer and a separate reviewer, or another means of documenting the existence of internal controls. Also, the Town has no policies and procedures to address bank reconciliation
- A lack of internal controls over information technology; the Town does not have policies and procedures in place for their information technology system. We noted that there is no information technology risk assessment process in place, no strategic plan or a disaster recovery plan in place. There is no written policy in place for restoring and backing up the financial and accounting data. The Town is performing backups on the financial and accounting data, but there is no written policy.
- No policies and procedures over capital assets.
- A lack of accounting and financial policies. The Town has not documented its accounting procedures and internal controls into a formal procedures manual.

Criteria:

The internal control structure of the Town must include policies that document proper business practices for key operations. Section 6-6-3(A) NMSA 1978 requires that every local public body shall “keep all the books, records and accounts in their respective offices in the form prescribed by the local government division” of the New Mexico Department of Finance and Administration. This would require the Town to design and maintain internal controls which would enable it to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Cause:

The Town does not have a comprehensive set of policies and procedures that address various key components of its operations.

Effect:

The Town is at risk to internal control failures which could lead to undetected misstatements in financial statements. Additionally, the risk of fraud is heightened without proper documentation and review procedures

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION I - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2018-004- Lack of Policies, Procedures and Internal Controls - (Material weakness) Cont'd

Recommendation:

The Town should allocate the necessary resources in order to develop and/or update outdated existing policies and procedures.

Management Response

The Town will develop, update and adopt comprehensive policies and procedures. The Clerk-Treasurer is responsible for correcting this audit finding. The Town will dedicate necessary staff and resources to ensure policies and procedures are developed, updated and adopted. Once adopted staff will be provided training for the policies. Management will ensure proper oversight and compliance for these policies once implemented.

Responsible party

Juan Torres – Clerk/Treasurer

Estimated Completion date

06/30/2019

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

- 2016-001 Other Noncompliance - Violation of Anti-Donation and Procurement Code - Resolved
- 2016-002 Other Noncompliance - Timely Deposits - Resolved
- 2017-001 Other Noncompliance - Improper Mileage Reimbursement - Repeated and Modified

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

An exit conference was held on December 07, 2018, and attended by the following:

Town of Edgewood Officials

John Bassett
Linda Holle
Dora Garcia
Juan Torres

Mayor
Town Councilor
Finance Specialist
Clerk - Treasurer

Harshwal & Company LLP

Mariem Tall, Audit Manager
Ken Kanyinda Lukusa, Staff Auditor

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.