

STATE OF NEW MEXICO
TOWN OF ESTANCIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
OFFICIAL ROSTER
JUNE 30, 2007

<u>Name</u>		<u>Title</u>
	<u>Town Council</u>	
Martin Hibbs		Mayor
Beckey J. Bailey		Councilor
Ted Barela		Councilor
Josie Richards		Councilor
Sylvia Newson		Councilor
	<u>Administration</u>	
Bruce Dile		Judge
Linda Warren		Town Clerk

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007
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STATE OF NEW MEXICO
TOWN OF ESTANCIA

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
and
Ted Barela, Mayor
Town Council Members
Town of Estancia
Estancia, New Mexico

We have audited the accompanying basic financial statements consisting of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information consisting of the aggregate nonmajor governmental fund column and the fiduciary fund column in the fund financial statements of the Town of Estancia, New Mexico, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Town of Estancia, New Mexico's, management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because of the inadequacy of accounting records relating to capital assets, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation were recorded in the accompanying balance sheets at June 30, 2007 or the amount of depreciation expense for the year then ended. Also, because of the inadequacy of accounting records relating to revenues and expenditures, we were unable to form an opinion regarding the amounts at which revenues and expenditures were recorded in the accompanying Statements of Revenues, Expenditures and Changes in Fund Balances for the year ending June 30, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning property and equipment and related accumulated depreciation as well as revenues and expenditures been adequate, 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 the Town of Estancia, New Mexico, as of June 30, 2007, and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning property and equipment and related accumulated depreciation as well as revenues and expenditures been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the Town of Estancia, New Mexico as of June 30, 2007, and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons for the major capital project fund and each nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2009 on our consideration of the Town of Estancia, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Estancia has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the Town of Estancia's basic financial statements and the combining and individual fund financial statements and budgetary comparisons presented as supplemental information. The accompanying Statement of Changes in Fiduciary Assets and Liabilities and Supporting Schedules I through III in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Arigo Professional Services, LLC".

Albuquerque, New Mexico
May 7, 2009

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and temporary investments	\$ 228,875	\$ 16,804	\$ 245,679
Receivables	163,495	34,219	197,714
Internal balances	(192,415)	192,415	-
Total Current Assets	199,955	243,438	443,393
Noncurrent Assets			
Restricted cash	40,936	-	40,936
Capital assets	3,049,459	3,672,329	6,721,788
Less: accumulated depreciation	-	(1,279,844)	(1,279,844)
Total noncurrent assets	3,090,395	2,392,485	5,482,880
Total assets	\$ 3,290,350	\$ 2,635,923	\$ 5,926,273

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 14,761	\$ 32,513	\$ 47,274
Accrued payroll	13,916	3,103	17,019
Meter deposit payable	-	16,804	16,804
Accrued compensated absences	10,695	7,181	17,876
Current portion of long-term obligations	39,640	76,071	115,711
Total Current Liabilities:	79,012	135,672	214,684
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	194,966	534,249	729,215
Total liabilities	273,978	669,921	943,899
Invested in capital assets, net of related debt	2,824,241	2,392,485	5,216,726
Restricted for:			
Capital projects	(6,439)	-	(6,439)
Unrestricted	198,570	(426,483)	(227,913)
Total net assets	3,016,372	1,966,002	4,982,374
Total liabilities and net assets	\$ 3,290,350	\$ 2,635,923	\$ 5,926,273

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 467,502	\$ 39,604	\$ 210,940	\$ 57,392
Public safety	298,651	19,727	96,383	-
Culture and recreation	245,660	20,813	11,191	-
Health and welfare	33,079	2,575	-	-
Public works	142,348	-	53,516	-
Interest and other charges	3,720	4,046	-	-
Total governmental activities	1,190,960	86,765	372,030	57,392
Business-like activities:				
Solid Waste	115,610	148,351	-	-
Utilities	353,921	291,985	-	-
Sewer	64,589	109,746	-	-
Total business-like activities	534,120	550,082	-	-
Total primary government	\$ 1,725,080	\$ 636,847	\$ 372,030	\$ 57,392

General Revenues:

Property taxes
Gross receipts taxes
Motor vehicle and fuel taxes
Other taxes
Miscellaneous revenue
Transfers
Unrestricted investment earnings (loss)

Total general revenues and transfers

Change in net assets

Beginning net assets
Restatement
Beginning net assets, restated

Ending net assets

The accompanying notes are an integral part of these financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (159,566)	\$ -	\$ (159,566)
(182,541)	-	(182,541)
(213,656)	-	(213,656)
(30,504)	-	(30,504)
(88,832)	-	(88,832)
326	-	326
<u>(674,773)</u>	<u>-</u>	<u>(674,773)</u>
-	32,741	32,741
-	(61,936)	(61,936)
-	45,157	45,157
<u>-</u>	<u>15,962</u>	<u>15,962</u>
\$ (674,773)	\$ 15,962	\$ (658,811)
19,546	-	19,546
746,710	-	746,710
14,133	-	14,133
45,017	-	45,017
97,274	-	97,274
-	-	-
3,967	-	3,967
<u>926,647</u>	<u>-</u>	<u>926,647</u>
251,874	15,962	267,836
2,764,498	1,950,040	4,714,538
-	-	-
<u>2,764,498</u>	<u>1,950,040</u>	<u>4,714,538</u>
<u>\$ 3,016,372</u>	<u>\$ 1,966,002</u>	<u>\$ 4,982,374</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
TOWN OF ESTANCIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit B-1
(Page 1 of 2)

	General Fund	Williams Library Fund	CDBG Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
<i>Current:</i>					
Cash and temporary investments	\$ 208,256	\$ 20,608	\$ 11	\$ -	\$ 228,875
Accounts receivable					
Licenses and fees	-	-	-	-	-
Property taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Other receivables	163,495	-	-	-	163,495
Due from business-type activities	-	-	-	-	-
Interfund balances	-	-	-	61,545	61,545
<i>Restricted:</i>					
Cash and temporary investments	40,936	-	-	-	40,936
<i>Total current assets</i>	<u>\$ 412,687</u>	<u>\$ 20,608</u>	<u>\$ 11</u>	<u>\$ 61,545</u>	<u>\$ 494,851</u>
 LIABILITIES AND FUND BALANCE					
<i>Current Liabilities:</i>					
Accounts payable	\$ 12,291	\$ -	\$ -	\$ 2,470	\$ 14,761
Accrued payroll	12,975	-	-	941	13,916
Interfund balances	244,586	-	-	9,374	253,960
Deferred revenue	-	-	-	-	-
Deferred revenue - property taxes	-	-	-	-	-
<i>Total current liabilities</i>	<u>269,852</u>	<u>-</u>	<u>-</u>	<u>12,785</u>	<u>282,637</u>
<i>Fund balance:</i>					
Reserved					
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	-	-	11	-	11
Unreserved					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated, reported in					
General fund	142,835	-	-	-	142,835
Special revenue funds	-	20,608	-	48,760	69,368
<i>Total fund balance</i>	<u>142,835</u>	<u>20,608</u>	<u>11</u>	<u>48,760</u>	<u>212,214</u>
<i>Total liabilities and fund balance</i>	<u>\$ 412,687</u>	<u>\$ 20,608</u>	<u>\$ 11</u>	<u>\$ 61,545</u>	<u>\$ 494,851</u>

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

STATE OF NEW MEXICO

TOWN OF ESTANCIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Exhibit B-1

(Page 2 of 2)

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

Fund balances - total governmental funds	\$	212,214
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,049,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Capital leases		(234,606)
Compensated absences		(10,695)
		<hr/>
Total Net Assets	\$	<u>3,016,372</u>

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B-2
(Page 1 of 2)

	General Fund	Williams Library Fund	CDBG Fund	Nonmajor Governmental Funds	Total Governmental Funds
<i>Revenues:</i>					
Taxes	\$ 810,210	\$ -	\$ -	\$ 15,196	\$ 825,406
Intergovernmental	240,316	-	56,642	143,233	440,191
Licenses and fees	37,157	-	-	11,696	48,853
Charges for services	17,189	-	-	-	17,189
Investment income	3,967	30	-	-	3,997
Miscellaneous	122,464	-	-	550	123,014
<i>Total revenues</i>	<u>1,231,303</u>	<u>30</u>	<u>56,642</u>	<u>170,675</u>	<u>1,458,650</u>
<i>Expenditures:</i>					
Current					
General Government	411,854	-	-	-	411,854
Public safety	237,455	-	-	67,374	304,829
Culture and recreation	242,804	(20,959)	-	300	222,145
Health and welfare	32,838	-	-	241	33,079
Public works	66,887	-	21,250	75,461	163,598
Capital outlay	19,600	23,765	35,392	10,116	88,873
Debt service					
Principal	12,412	-	-	26,423	38,835
Interest	-	-	-	3,720	3,720
Bond issuance costs	-	-	-	-	-
<i>Total expenditures</i>	<u>1,023,850</u>	<u>2,806</u>	<u>56,642</u>	<u>183,635</u>	<u>1,266,933</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>207,453</u>	<u>(2,776)</u>	<u>-</u>	<u>(12,960)</u>	<u>191,717</u>
<i>Other financing sources (uses):</i>					
Operating transfers in (out)	-	-	-	-	-
Original issue premiums	-	-	-	-	-
Original issue discounts	-	-	-	-	-
Bond proceeds	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	207,453	(2,776)	-	(12,960)	191,717
<i>Fund balances - beginning of year</i>	(64,618)	23,384	11	61,720	20,497
<i>Restatement</i>	-	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>(64,618)</u>	<u>23,384</u>	<u>11</u>	<u>61,720</u>	<u>20,497</u>
<i>Fund balances - end of year</i>	<u>\$ 142,835</u>	<u>\$ 20,608</u>	<u>\$ 11</u>	<u>\$ 48,760</u>	<u>\$ 212,214</u>

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B-2

(Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	191,717
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Governmental funds report capital outlays 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:

Capital expenditures		29,678
Disposal of capital assets		(15,566)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Capital lease retirements		38,835
Increase in accrued compensated absences		<u>7,210</u>

Changes in Net Assets	\$	<u><u>251,874</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO

Exhibit C-1

TOWN OF ESTANCIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 770,464	\$ 770,464	\$ 749,693	\$ (20,771)
Intergovernmental	185,613	185,613	241,490	55,877
Licenses and fees	53,450	53,450	37,117	(16,333)
Charges for services	13,050	13,050	17,189	4,139
Investment income	2,000	2,000	3,967	1,967
Miscellaneous	(48,132)	(48,132)	110,981	159,113
<i>Total revenues</i>	<u>976,445</u>	<u>976,445</u>	<u>1,160,437</u>	<u>183,992</u>
<i>Expenditures:</i>				
<i>Current</i>				
General Government	444,276	444,276	392,775	51,501
Public safety	255,768	255,768	231,819	23,949
Culture and recreation	218,527	218,527	236,794	(18,267)
Health and welfare	36,506	36,506	32,107	4,399
Public works	54,804	54,804	66,313	(11,509)
Capital outlay	-	-	42,000	(42,000)
<i>Debt service</i>				
Principal	13,500	13,500	10,296	3,204
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,023,381</u>	<u>1,023,381</u>	<u>1,012,104</u>	<u>11,277</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,936)</u>	<u>(46,936)</u>	<u>148,333</u>	<u>195,269</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	46,936	46,936	-	(46,936)
<i>Total other financing sources (uses)</i>	<u>46,936</u>	<u>46,936</u>	<u>-</u>	<u>(46,936)</u>
<i>Net change in fund balances</i>	-	-	148,333	148,333
<i>Fund balances - beginning of year</i>	-	-	(143,727)	(143,727)
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>(143,727)</u>	<u>(143,727)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,606</u>	<u>\$ 4,606</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			70,866	
Adjustments to expenditures (liabilities)			(11,746)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 207,453</u>	

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

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STATE OF NEW MEXICO

Exhibit C-2

TOWN OF ESTANCIA

WILLIAMS LIBRARY SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	30	30
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	2,806	(2,806)
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>2,806</u>	<u>(2,806)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,776)</u>	<u>(2,776)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(2,776)	(2,776)
<i>Fund balances - beginning of year</i>	-	-	23,384	23,384
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>23,384</u>	<u>23,384</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,608</u>	<u>\$ 20,608</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (2,776)</u>	

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

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - JOINT UTILITY FUND
JUNE 30, 2007

Exhibit D-1

ASSETS

Current Assets:

Cash and investments	\$ 16,804
Receivables	34,219
Internal balances	192,415

Noncurrent Assets:

Capital assets	3,672,329
Less: accumulated depreciation	<u>(1,279,844)</u>
Total capital assets	<u>2,392,485</u>

<i>Total assets</i>	<u><u>\$ 2,635,923</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 32,513
Accrued payroll	3,103
Meter deposit payable	16,804
Accrued compensated absences	7,181
Current portion of long-term obligations	<u>76,071</u>
Total current liabilities	135,672

Noncurrent Liabilities:

Noncurrent portion of long-term obligations	<u>534,249</u>
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<i>Total liabilities</i>	<u>669,921</u>
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Net Assets:

Invested in capital assets, net of related debt	1,782,165
Unrestricted	<u>183,837</u>

<i>Total net assets</i>	<u>1,966,002</u>
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<i>Total liabilities and net assets</i>	<u><u>\$ 2,635,923</u></u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS - JOINT UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit D-2

<i>Operating revenues:</i>	
Charges for services	<u>\$ 543,840</u>
Total operating revenues	<u>543,840</u>
 <i>Operating expenses:</i>	
Salaries	144,853
Travel	2,063
Supplies	57,384
Depreciation	97,445
Contract Services	90,190
Other Operating Expenses	<u>136,542</u>
Total operating expenses	<u>528,477</u>
<i>Operating Income (loss)</i>	15,363
 <i>Non-operating revenues (expenses)</i>	
Interest expense	(5,643)
Inter-governmental grant	6,242
Transfers	<u>-</u>
Total non-operating revenues (expenses)	<u>599</u>
<i>Change in net assets</i>	15,962
<i>Total net assets - beginning</i>	1,950,040
<i>Restatement</i>	<u>-</u>
<i>Total net assets - beginning, restated</i>	<u>1,950,040</u>
 <i>Total net assets - ending</i>	 <u><u>\$ 1,966,002</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
PROPRIETARY FUNDS - JOINT UTILITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit D-3

Cash Flows From Operating Activities:	
Cash received from customers	\$ 532,575
Cash paid to suppliers and employees	(435,577)
Net Cash Provided by Operating Activities	<u>96,998</u>
Cash Flows From Noncapital Financing Activities:	
State operating grant received	6,242
Net Cash (Used) by Noncapital Financing Activities	<u>6,242</u>
Cash Flows From Capital and Related Financing Activities:	
Interest expense	(5,643)
Purchase of capital assets	(166,825)
Capital lease principal payments	86,032
Net Cash (Used) by Capital and Related Financing Activities	<u>(86,436)</u>
Net (Decrease) in Cash and Cash Equivalents	16,804
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,804</u>
Reconciliation of Operating income to Net Cash Provided by Operating Activities:	
Operating income	\$ 15,363
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	97,445
Change in assets and liabilities:	
Accounts receivable	(11,265)
Internal balances	(20,247)
Accounts payable	14,802
Accrued liabilities	3,103
Accrued compensated absences	1,373
Meter Deposits Payable	<u>(3,576)</u>
Net Cash Provided by Operating Activities	<u>\$ 96,998</u>

Summary of Significant Noncash Activities:

There were no significant noncash activities during the year ended June 30, 2007.

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

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STATE OF NEW MEXICO Exhibit E-1
TOWN OF ESTANCIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and temporary investments:	<u>\$ 2,394</u>
<i>Total assets</i>	<u><u>\$ 2,394</u></u>
 LIABILITIES	
Due to other entities	<u>\$ 2,394</u>
<i>Total liabilities</i>	<u><u>\$ 2,394</u></u>

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

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies

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

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

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

The financial statements of the Town of Estancia (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another government entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Town also has no *component units*, as defined by GASB Statement No. 14 and / or GASB Statement No. 39, as there are no other legally separate organizations for which the elected Town Councilors are financial accountable. There are no other primary governments with which the Town Councilors are financially accountable. There are no other primary governments with which the Town has a significant relationship.

B. Government-wide and fund financial statements

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Town holds for others in an agency capacity.

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

The *General Fund* is the primary operating fund of the Town, and accounts for all financial resources, except those required to be accounted for in other funds.

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

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

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

Under the requirements of GASB #34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

The *Williams Library Special Revenue Fund* is used to account for the construction and operations of the library. Financing is provided by a bequest. The bequest restricts the use of the funds for the building and operations of a new library. Authorized by Town Council.

The *CDBG Capital Project Fund* is used to account for federal funds for various projects. Funding is from a Community Development Block Grant through the state Department of Finance and Administration.

The government reports its proprietary fund as a major fund.

Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Town's fiduciary funds are used to account for the collection and payment of motor vehicle taxes and special fees to other governmental agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements along with the proprietary fund statements, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (b) program-specific operating grants, which includes revenues received from federal and state sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

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

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

D. Assets, Liabilities and Net Assets or Equity

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

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

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements.

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide financial statements, delinquent property taxes are recorded when levied. In the governmental fund financial statements, property taxes are recorded when available.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Torrance County and remitted monthly to the Town.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the Town did not maintain internally developed software. Library books are expensed when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2006.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Plant in Service	40
Permanent Buildings	30
Land Improvements	20
Vehicles	3
Computer equipment	5
Other furniture and equipment	5-30

Deferred Revenues: The Town recognizes grant revenue at the time the eligibility restrictions have been met. Such restrictions include 1) the agency should have the characteristics specified by the provider, 2) the time requirements specified by the enabling legislation or provider have been met, 3) if applicable, the provider offers the resources on a reimbursement basis and the recipient has incurred allowable costs under the program and 4) the provider's contingencies have been met. Amounts received and not meeting such restrictions in the Special Revenue Funds are shown as deferred revenues.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Amounts receivable from the property taxes levied for the current year that are not considered to be “available” (uncollected within sixty days of year-end) under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule, depending on length of service. Employees may accumulate annual leave and carry a maximum of 120 hours (15 days) forward from calendar year to calendar year. Upon termination, employees will be paid for up to 120 hours (15 days) of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of eight days per year. Sick leave can be carried over from year to year with no limit. Upon resignation, lay-off or involuntary dismissal, employees receive no pay for unused sick leave.

Vested or accumulated vacation 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. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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

For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets are restricted for “debt service or capital projects.”

Unrestricted Net Assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

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

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Town's financial statements include management's estimate of the useful lives of capital assets.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

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

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2. Stewardship, Compliance and Accountability (continued)

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2007 is presented.

NOTE 3. Cash and Temporary Investments

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2007.

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

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

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

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	<u>Wells</u> <u>Fargo Bank</u>	<u>Bank of</u> <u>Albuquerque</u>	<u>Total</u>
Total amounts of deposits	\$ 190,059	\$ 40,936	\$ 230,995
FDIC coverage	(100,000)	(40,936)	(140,936)
Total uninsured public funds	<u>\$ 90,059</u>	<u>\$ —</u>	<u>\$ 90,059</u>
Pledged Collateral held by the pledging bank's trust department or agent but not in the agency's name			
	90,059	—	90,059
Collateral requirement (50% of uninsured public funds)			
	\$ 45,029	\$ —	\$ 45,029
Pledged security	<u>199,413</u>	<u>—</u>	<u>199,413</u>
Total under (over) collateralized	<u>\$ (154,383)</u>	<u>\$ —</u>	<u>\$ (154,383)</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3. Cash and Temporary Investments - (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2007, \$90,059 of the Town’s bank balance of \$230,995 was exposed to custodial credit risk because it was uninsured and the collateral was held by the pledging bank’s trust department, not in the Town’s name. At June 30, 2007, the carrying amount of these deposits was \$189,009.

Investments

As of June 30, 2007, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 Year</u>
State Investment Pool	\$ <u>100,000</u>	\$ <u>100,000</u>

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2007. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. At June 30, 2007, the Town’s investment of New MexiGROW LGIP had a credit risk rating of AAAM, value of \$100,000 and a 50-day WAM.

Reconciliation of Cash and Temporary Investments

Governmental Funds – Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 286,615
Statement of Fiduciary Net Assets – cash per Exhibit E-1	<u>2,394</u>
	289,009
Less investments in state investment pool	<u>(100,000)</u>
	189,009
Add outstanding checks (subtract deposits in transit)	<u>41,986</u>
Bank balance of deposits and repurchase agreements	<u>\$ 230,995</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4. Receivables

Receivables as of June 30, 2007, are as follows:

	<u>Governmental Activities General Fund</u>	<u>Business-Type Activities Joint Utilities</u>	<u>Total</u>
Gross receipts taxes	\$ 119,814	\$ 2,873	\$ 122,687
Other taxes	11,499	—	11,499
Charges for Services	774	28,350	29,124
Intergovernmental	<u>31,408</u>	<u>2,996</u>	<u>34,404</u>
Net Receivables	<u>\$ 163,495</u>	<u>\$ 34,219</u>	<u>\$ 197,714</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, the Town should record the entire property tax receivable balance. However, the County was unable to provide sufficient documentation to support the balance; therefore the Town recorded property taxes received within sixty days of the fiscal year end in accordance with the modified accrual basis.

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

Receivables and payables from interfund transactions as of June 30, 2007 are listed below. The majority of interfund balances were affected or created due to cash overdrafts and a few other balances are carried forward from the prior year.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ —	\$ 244,586
Nonmajor Funds:		
Fire Protection	19,245	—
EMS	532	—
Recreation	763	—
Gas Tax	—	2,924
Garnett Library	20,000	—
Cemetery	17,728	—
Correction Fees	2,548	—
Law Enforcement	729	—
CDBG II	<u>—</u>	<u>6,450</u>
Total Governmental Activities	<u>61,545</u>	<u>253,960</u>
Business-Type Activities	<u>192,415</u>	<u>—</u>
Total	<u>\$ 253,960</u>	<u>\$ 253,960</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2007, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation. The Town does not maintain capital asset records.

Governmental Activities:	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
General Capital Assets	\$ 3,035,347	\$ 29,678	\$ 15,566	\$ 3,049,459
Business-like Activities:	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Capital Assets Used in Business-like Activities:				
Depreciable Assets:				
Buildings	\$ 206,200	\$ —	\$ —	\$ 206,200
Equipment	83,144	166,825	—	249,969
Vehicles	38,226	—	—	38,226
Plant in Service	2,044,787	—	—	2,044,787
Non-Depreciable Assets:				
Land and Improvements	<u>1,133,147</u>	<u>—</u>	<u>—</u>	<u>1,133,147</u>
Total	<u>\$ 3,505,504</u>	<u>\$ 166,825</u>	<u>\$ —</u>	<u>\$ 3,672,329</u>
Less Accumulated Depreciation:				
Buildings	50,242	5,155	—	55,397
Equipment	95,022	35,710	—	130,732
Vehicles	29,920	5,461	—	35,381
Plant in Service	<u>1,007,215</u>	<u>51,120</u>	<u>—</u>	<u>1,058,335</u>
Total	<u>\$ 1,182,399</u>	<u>\$ 97,446</u>	<u>\$ —</u>	<u>\$ 1,279,845</u>
Net Capital Assets	<u>\$ 2,323,105</u>	<u>\$ 69,379</u>	<u>\$ —</u>	<u>\$ 2,392,484</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2007 totaled \$97,446.

NOTE 7. Long-term Debt

During the year ended June 30, 2007, the following changes occurred in the long term debt:

	Balance <u>June 30, 2006</u>	<u>Additions</u> <u>& Adjustments</u>	<u>Retirements</u> <u>& Adjustments</u>	Balance <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
NMFA Fire Pumper	\$ 146,983	\$ —	\$ 19,848	\$ 127,135	\$ 20,148
NMFA Library Renovation	112,834	—	12,412	100,422	12,443
Union Savings Fire Truck	13,624	—	6,575	7,049	7,049
Compensated Absences	<u>17,905</u>	<u>15,968</u>	<u>23,178</u>	<u>10,695</u>	<u>10,695</u>
Total Governmental	<u>\$ 291,346</u>	<u>\$ 15,968</u>	<u>\$ 62,013</u>	<u>\$ 245,301</u>	<u>\$ 50,335</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7. Long-term Debt (Continued)

Business-Type Activities

NMED Wastewater Plant	\$ 405,000	\$ —	\$ 45,000	\$ 360,000	\$ 45,000
WFB Utility Shop Bldg	119,288	—	16,691	102,597	17,540
NMFA Road Grader	—	147,723	—	147,723	13,531
Compensated Absences	<u>5,808</u>	<u>6,356</u>	<u>4,983</u>	<u>7,181</u>	<u>7,181</u>
Total Business-Type	<u>\$ 530,096</u>	<u>\$ 154,079</u>	<u>\$ 66,674</u>	<u>\$ 617,501</u>	<u>\$ 83,252</u>
Total Long-Term Debt	<u>\$ 821,442</u>	<u>\$ 170,047</u>	<u>\$ 128,687</u>	<u>\$ 862,802</u>	<u>\$ 133,587</u>

As of June 30, 2007, the annual requirements to amortize all governmental loans payable outstanding, including, interest, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ 39,640	\$ 2,997	\$ 42,637
2009	32,971	2,191	35,162
2010	33,405	1,842	35,247
2011	33,888	1,442	35,330
2012	34,420	997	35,417
2013-2017	<u>60,282</u>	<u>516</u>	<u>60,798</u>
Total	<u>\$ 234,606</u>	<u>\$ 9,985</u>	<u>\$ 244,591</u>

As of June 30, 2007, the annual requirements to amortize all business-type loans payable outstanding, including, interest, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ 76,071	\$ 8,692	\$ 84,763
2009	77,206	6,336	83,542
2010	78,399	5,178	83,577
2011	79,650	3,962	83,612
2012	80,962	2,686	83,648
2013-2017	<u>218,032</u>	<u>4,698</u>	<u>222,730</u>
Total	<u>\$ 610,320</u>	<u>\$ 31,552</u>	<u>\$ 641,872</u>

In prior years, the general fund was typically used to liquidate governmental long-term liabilities other than debt.

Compensated Absences – Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2007, compensated absences decreased \$7,210 in the governmental funds and increased \$1,373 in the proprietary funds over the prior year accrual. See Note 1 for more details.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

Town of Estancia is a member and is insured through the New Mexico Self-Insurer's Fund. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Town pays an annual premium to the New Mexico Self-Insurer's Fund based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage.

NOTE 9. Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2007:

Governmental Funds:

Nonmajor Funds:

Gas Tax	5,746
CDBG II	<u>6,450</u>
Total Governmental Funds	<u><u>\$ 12,196</u></u>

These deficits are expected to be funded by additional grants and charges for services.

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2007.

Governmental Funds:

Major Funds:

Williams Library	\$ 2,806
------------------	----------

Nonmajor Funds:

Fire Protection	2,600
EMS	562
Cemetery	237
Correction Fees	16,573
CDBG II	<u>6,450</u>
Total Governmental Funds	<u><u>\$ 29,228</u></u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10. PERA Pension Plan

Plan Description. Substantially all of Town of Estancia's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% for municipal employees and 7% of gross salaries for law enforcement employees. The Town is required to contribute 7% for municipal employees and 10% for law enforcement plan members. In addition to the employer contributions, the Town of Estancia also makes 5.25% of the municipal and law enforcement employee contributions. This leaves all employees to contribute only 1.75% of their gross wages while the Town contributes 12.25% for municipal employees and 15.25% for law enforcement employees. As of April 1, 2007, the Town changed plans, so plan members are required to contribute 3.5% for municipal employees and 4.25% of gross salaries for law enforcement employees. The Town is required to contribute 10.5% for municipal employees and 12.75% for law enforcement plan members. The contribution requirements of plan members and the Town of Estancia are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the year ended June 30, 2007 were \$54,901.

NOTE 11. Post-Employment Benefits

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 11. Post-Employment Benefits (continued)

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque, New Mexico 87107.

For the years ended June 30, 2007, 2006 and 2005, the Town remitted \$5,524, \$5,296, and \$4,485, respectively, in employer contributions and \$2,762, \$2,648, and \$2,242 in employee contributions to the Retiree Health Care Authority.

NOTE 12. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. The Town is insured through the New Mexico Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Town.

NOTE 13. Federal and State Grants

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

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SPECIAL REVENUE FUNDS

Fire Protection Fund – To account for the operations and maintenance of the fire department. Contributions and grants from the state fire allotment and state forestry provide funding. Authority is Fire Protection Act, Section 59A-53-1, NMSA 1978.

EMS Fund – To account for grant funds received from state sources for development of an EMS system within the Town. Authority is Emergency Medical Services Act, 24-10A-1.

Recreation Fund – To account for the operation and maintenance of recreational facilities of the Town. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 and 7-12-15.

Gas Tax Fund – To account for the receipts of the statewide increase of two cents per gallon of gasoline tax, which one cent is redistributed to municipalities for highway and street maintenance. Authorized by NMSA 1978 7-1-6.9 and 7-13-1 to 7-13-18.

Garnett Library Fund – To account for operations and maintenance of the library. Financing is provided by a grant. The grant provides for payment of all current operating costs and may be used only for that purpose. Authorized by Town ordinance. Section 18-2-4B, NMSA 1978.

Cemetery Fund – To account for the operations and maintenance of the cemetery. Burial permits, lot sales and donations provide financing. Authorized by NMSA 1978 3-40-1.

Correction Fees Fund – To establish an additional source of funds to 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 to the operations of a motor vehicle. Authority: NMSA 33-0-3.

Law Enforcement Protection Fund – To account for revenues received for a grant which is restricted to law enforcement use. Authorized by Town Ordinance. Law Enforcement Protection Fund, Section 29-13-1, NMSA 1978.

CDBG II – To account for federal funds for various projects. Funding is for a Community Development Block Grant through the state Department of Finance and Administration.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Fire Protection	EMS	Recreation	Gas Tax
ASSETS				
Current:				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Licenses and fees	-	-	-	-
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Interfund balances	19,245	532	763	-
Restricted:				
Cash and temporary investments	-	-	-	-
<i>Total current assets</i>	\$ 19,245	\$ 532	\$ 763	\$ -
 LIABILITIES AND FUND BALANCE				
<i>Current Liabilities:</i>				
Accounts payable	\$ 556	\$ -	\$ -	\$ 1,881
Accrued payroll	-	-	-	941
Interfund balances	-	-	-	2,924
Deferred revenue	-	-	-	-
Deferred revenue - property taxes	-	-	-	-
<i>Total current liabilities</i>	556	-	-	5,746
 <i>Fund balance:</i>				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated, reported in				
General fund	-	-	-	-
Special revenue funds	18,689	532	763	(5,746)
<i>Total fund balance</i>	18,689	532	763	(5,746)
<i>Total liabilities and fund balance</i>	\$ 19,245	\$ 532	\$ 763	\$ -

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

<u>Garnett Library</u>	<u>Cemetery</u>	<u>Correction Fees</u>	<u>Law Enforcement Protection</u>	<u>CDBG II</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,000	17,728	2,548	729	-	61,545
-	-	-	-	-	-
<u>\$ 20,000</u>	<u>\$ 17,728</u>	<u>\$ 2,548</u>	<u>\$ 729</u>	<u>\$ -</u>	<u>\$ 61,545</u>
\$ -	\$ 33	\$ -	\$ -	\$ -	\$ 2,470
-	-	-	-	-	941
-	-	-	-	6,450	9,374
-	-	-	-	-	-
-	-	-	-	-	-
-	33	-	-	6,450	12,785
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,000	17,695	2,548	729	(6,450)	48,760
20,000	17,695	2,548	729	(6,450)	48,760
<u>\$ 20,000</u>	<u>\$ 17,728</u>	<u>\$ 2,548</u>	<u>\$ 729</u>	<u>\$ -</u>	<u>\$ 61,545</u>

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Fire Protection	EMS	Recreation	Gas Tax
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ 1,063	\$ 14,133
Intergovernmental	57,938	6,404	-	56,491
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>57,938</u>	<u>6,404</u>	<u>1,063</u>	<u>70,624</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	25,834	6,962	-	-
Culture and recreation	-	-	300	-
Health and welfare	-	-	-	-
Public works	-	-	-	75,461
Capital outlay	-	-	-	-
Debt service				
Principal	26,423	-	-	-
Interest	3,720	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>55,977</u>	<u>6,962</u>	<u>300</u>	<u>75,461</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,961</u>	<u>(558)</u>	<u>763</u>	<u>(4,837)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	1,961	(558)	763	(4,837)
<i>Fund balances - beginning of year</i>	16,728	1,090	-	(909)
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>16,728</u>	<u>1,090</u>	<u>-</u>	<u>(909)</u>
<i>Fund balances - end of year</i>	<u>\$ 18,689</u>	<u>\$ 532</u>	<u>\$ 763</u>	<u>\$ (5,746)</u>

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

Garnett Library	Cemetery	Correction Fees	Law Enforcement Protection	CDBG II	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,196
-	-	-	22,400	-	143,233
-	2,575	9,121	-	-	11,696
-	-	-	-	-	-
-	-	-	-	-	-
-	550	-	-	-	550
-	3,125	9,121	22,400	-	170,675
-	-	-	-	-	-
-	-	16,573	18,005	-	67,374
-	-	-	-	-	300
-	241	-	-	-	241
-	-	-	-	-	75,461
-	-	-	3,666	6,450	10,116
-	-	-	-	-	26,423
-	-	-	-	-	3,720
-	-	-	-	-	-
-	241	16,573	21,671	6,450	183,635
-	2,884	(7,452)	729	(6,450)	(12,960)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,884	(7,452)	729	(6,450)	(12,960)
20,000	14,811	10,000	-	-	61,720
-	-	-	-	-	-
20,000	14,811	10,000	-	-	61,720
\$ 20,000	\$ 17,695	\$ 2,548	\$ 729	\$ (6,450)	\$ 48,760

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

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STATE OF NEW MEXICO

Statement A-3

TOWN OF ESTANCIA

FIRE PROTECTION SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	54,000	54,000	57,938	3,938
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>54,000</u>	<u>54,000</u>	<u>57,938</u>	<u>3,938</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	16,500	16,500	26,457	(9,957)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	37,500	37,500	26,423	11,077
Interest	-	-	3,720	(3,720)
<i>Total expenditures</i>	<u>54,000</u>	<u>54,000</u>	<u>56,600</u>	<u>(2,600)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,338</u>	<u>1,338</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	1,338	1,338
<i>Fund balances - beginning of year</i>	-	-	17,907	17,907
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>17,907</u>	<u>17,907</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,245</u>	<u>\$ 19,245</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			623	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,961</u>	

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

STATE OF NEW MEXICO

Statement A-4

TOWN OF ESTANCIA

EMS SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,400	6,400	6,404	4
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,400</u>	<u>6,400</u>	<u>6,404</u>	<u>4</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	6,400	6,400	6,962	(562)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,400</u>	<u>6,400</u>	<u>6,962</u>	<u>(562)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(558)	(558)
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(558)	(558)
<i>Fund balances - beginning of year</i>	-	-	1,090	1,090
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>1,090</u>	<u>1,090</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ 532</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (558)</u>	

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

STATE OF NEW MEXICO

Statement A-5

TOWN OF ESTANCIA

RECREATION SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 950	\$ 950	\$ 1,063	\$ 113
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>950</u>	<u>950</u>	<u>1,063</u>	<u>113</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	950	950	300	650
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>950</u>	<u>950</u>	<u>300</u>	<u>650</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>763</u>	<u>763</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	763	763
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763</u>	<u>\$ 763</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 763</u>	

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

STATE OF NEW MEXICO

Statement A-6

TOWN OF ESTANCIA

GAS TAX SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 8,500	\$ 8,500	\$ 14,133	\$ 5,633
Intergovernmental	56,490	56,490	56,491	1
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>64,990</u>	<u>64,990</u>	<u>70,624</u>	<u>5,634</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	94,845	94,845	73,548	21,297
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>94,845</u>	<u>94,845</u>	<u>73,548</u>	<u>21,297</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(29,855)</u>	<u>(29,855)</u>	<u>(2,924)</u>	<u>26,931</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(123,560)	123,560	-	(123,560)
Designated cash	153,415	(93,705)	-	93,705
<i>Total other financing sources (uses)</i>	<u>29,855</u>	<u>29,855</u>	<u>-</u>	<u>(29,855)</u>
<i>Net change in fund balances</i>	-	-	(2,924)	(2,924)
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,924)</u>	<u>\$ (2,924)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			(1,913)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (4,837)</u>	

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

STATE OF NEW MEXICO

Statement A-7

TOWN OF ESTANCIA

GARNETT LIBRARY SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	20,000	20,000
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO

Statement A-8

TOWN OF ESTANCIA

CEMETERY SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	2,575	2,575
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	550	550
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,125</u>	<u>3,125</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	237	(237)
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>237</u>	<u>(237)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,888</u>	<u>2,888</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	2,888	2,888
<i>Fund balances - beginning of year</i>	-	-	14,840	14,840
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>14,840</u>	<u>14,840</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,728</u>	<u>\$ 17,728</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			(4)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 2,884</u>	

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

STATE OF NEW MEXICO

Statement A-9

TOWN OF ESTANCIA

CORRECTION FEES SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	9,121	9,121
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>9,121</u>	<u>9,121</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	16,573	(16,573)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>16,573</u>	<u>(16,573)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(7,452)</u>	<u>(7,452)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(7,452)	(7,452)
<i>Fund balances - beginning of year</i>	-	-	10,000	10,000
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,548</u>	<u>\$ 2,548</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (7,452)</u>	

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA

Statement A-10

LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	22,400	22,400	22,400	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	22,400	22,400	18,005	4,395
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	3,666	(3,666)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>22,400</u>	<u>22,400</u>	<u>21,671</u>	<u>729</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>729</u>	<u>729</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>729</u>	<u>729</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729</u>	<u>\$ 729</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 729</u>	

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

STATE OF NEW MEXICO

Statement A-11

TOWN OF ESTANCIA

CDBG II SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	6,450	(6,450)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>6,450</u>	<u>(6,450)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(6,450)</u>	<u>(6,450)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(6,450)	(6,450)
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,450)</u>	<u>\$ (6,450)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (6,450)</u>	

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

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CAPITAL PROJECT FUNDS

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STATE OF NEW MEXICO

Statement B-1

TOWN OF ESTANCIA

CDBG CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	65,371	65,371	56,642	(8,729)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>65,371</u>	<u>65,371</u>	<u>56,642</u>	<u>(8,729)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	65,371	65,371	56,642	8,729
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>65,371</u>	<u>65,371</u>	<u>56,642</u>	<u>8,729</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	11	11
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ -</u>	

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

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ENTERPRISE FUNDS

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STATE OF NEW MEXICO

Statement C-1

TOWN OF ESTANCIA

JOINT UTILITIES ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 518,125	\$ 518,125	\$ 535,572	\$ 17,447
Total operating revenues	518,125	518,125	535,572	17,447
<i>Operating expenses:</i>				
Salaries	140,714	140,714	140,377	337
Travel	2,200	2,200	2,063	137
Supplies	37,000	37,000	48,448	(11,448)
Contract Services	87,625	87,625	83,994	3,631
Capital Outlay	-	-	4,238	(4,238)
Principal Payments	-	-	66,467	(66,467)
Other Operating Expenses	809,362	809,362	232,993	576,369
Total operating expenses	1,076,901	1,076,901	578,580	498,321
<i>Operating Income (loss)</i>	(558,776)	(558,776)	(43,008)	515,768
<i>Non-operating revenues (expenses)</i>				
Designated cash	(103,546)	(103,546)	-	103,546
Interest expense	-	-	(5,643)	(5,643)
Inter-governmental grant	785,882	785,882	3,246	(782,636)
Transfers	(123,560)	(123,560)	-	123,560
Total non-operating revenues (expenses)	558,776	558,776	(2,397)	(664,719)
<i>Change in net assets</i>	-	-	(45,405)	(45,405)
<i>Total net assets - beginning</i>	-	-	254,624	254,624
<i>Restatement</i>	-	-	-	-
<i>Total net assets - beginning, restated</i>	-	-	254,624	254,624
<i>Total net assets - ending</i>	\$ -	\$ -	\$ 209,219	\$ 209,219
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			11,264	
Adjustments to expenditures (liabilities)			50,103	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 15,962	

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

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AGENCY FUNDS

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STATE OF NEW MEXICO

Statement D-1

TOWN OF ESTANCIA

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
ASSETS				
Cash	\$ 571	\$ 224,169	\$ 222,346	\$ 2,394
<i>Total assets</i>	<u>\$ 571</u>	<u>\$ 224,169</u>	<u>\$ 222,346</u>	<u>\$ 2,394</u>
LIABILITIES				
Due to other entities	\$ 571	\$ 224,169	\$ 222,346	\$ 2,394
<i>Total liabilities</i>	<u>\$ 571</u>	<u>\$ 224,169</u>	<u>\$ 222,346</u>	<u>\$ 2,394</u>

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

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2007

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Wells Fargo Bank	FNCL 882455 04/01/2036 Cusip 31409YMC8 6.00%	\$ 199,413	Wells Fargo Bank San Francisco, CA
	Total Pledged Collateral	<u>\$ 199,413</u>	

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

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2007

Schedule II

<u>Bank Account Type/Name</u>	<u>Wells Fargo Bank</u>	<u>Bank of Albuquerque</u>	<u>NM State Investment Pool</u>	<u>Totals</u>
Library Account	\$ 20,848	\$ -	\$ -	\$ 20,848
Meter Deposits	16,896	-	-	16,896
Town of Estancia	164	-	-	164
Investment Account	66,187	-	-	66,187
Community Development Block Grant	61,460	-	-	61,460
Payroll Account	20,921	-	-	20,921
Department of Motor Vehicles	1,672	-	-	1,672
Municipal Court	1,911	-	-	1,911
Program Funds	-	300	-	300
Debt Service Reserve Funds	-	12,641	-	12,641
Debt Service Reserve Funds	-	13,099	-	13,099
Debt Service Reserve Funds	-	14,896	-	14,896
NM State Investment Pool	-	-	100,000	100,000
Total On Deposit	190,059	40,936	100,000	330,994
Reconciling Items	(41,985)	-	-	(41,985)
Reconciled Balance June 30, 2007	<u>\$ 148,074</u>	<u>\$ 40,936</u>	<u>\$ 100,000</u>	<u>\$ 289,009</u>
Petty Cash				-
Combined Balance Sheet Total June 30, 2007				<u>\$ 289,009</u>

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

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2007

Participants	Party responsible for operations	Description	Beginning & Ending Dates	Total estimated amount of project and portion applicable to Town
Town of Estancia, Torrance County	Torrance County	Road work services	10-08-03, Infinite	Unknown
Town of Estancia, Torrance County	Torrance County	House inmates	10-09-97, Infinite	Unknown
Town of Estancia, Torrance County	Torrance County	Universal 911 addressing system	1998, Infinite	Unknown
Town of Estancia, Torrance County	Torrance County	911 communication system	1999, Infinite	Unknown
Town of Estancia, New Mexico Energy, Minerals and Natural Resource Development (EMNR)	EMNR	Resource Mobilization Plan to establish personnel and equipment for wildfire suppression and management	06-29-93, Infinite	Unknown
Town of Estancia, Torrance County, Village of Encino, City of Moriarty, Village of Willard	Torrance County	Torrance County Solid Waste Authority	12-16-93, Infinite	Unknown

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

<u>Amount the Town contributed in the current fiscal year</u>	<u>Audit responsibility</u>	<u>Fiscal agent</u>	<u>Name of governmental agency where revenues and expenditures are reported</u>
Unknown	Torrance County	Torrance County	Both
Unknown	Torrance County	Torrance County	Both
Unknown	Torrance County	Torrance County	Both
Unknown	Torrance County	Torrance County	Both
Unknown	EMNR	EMNR	Both
Unknown	Torrance County	Torrance County	Torrance County Solid Waste Authority

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

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COMPLIANCE SECTION

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**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***

Hector Balderas
New Mexico State Auditor
and
Ted Barela, Mayor
Town Council Members
Town of Estancia
Estancia, New Mexico

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds presented as supplemental information of the Town of Estancia, New Mexico, as of and for the year ended June 30, 2007, and have issued our report thereon dated May 7, 2009. The report on was qualified because of inadequacy of accounting records on capital assets as well as revenues and expenditures. Except as discussed in the preceding sentences, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Estancia, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as findings FS 05-01, 05-02, 06-01, 06-02, 07-02, 07-03 and 07-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings FS 05-01 and 07-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Estancia, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items FS 05-01, 05-03, 05-05, 07-01 and 07-04.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, Town Council, Town management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico
May 7, 2009

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – FINANCIAL STATEMENT FINDINGS

FS 05-01 – Capital Assets – Repeated

Criteria: Per state statute 12-6-10, NMSA 1978 and regulation 2.20.1.15 NMAC, the Town should establish controls over its fixed assets for the primary purpose of safeguarding them and establishing accountability for their custody and use. At the end of the fiscal year, the Town should conduct a physical inventory of its fixed assets consisting of those with a historical cost of \$5,000 or more (\$1,000 or more prior to July 1, 2005). These assets must be properly capitalized, classified, valued and depreciated.

Condition: The Town does not have a complete listing of capital assets and has not calculated and recorded depreciation expense on those assets.

Cause: The Town has not taken a complete inventory of their capital assets.

Effect: The failure to maintain adequate capital asset records results in the inability of the Town to maintain control over the capital assets and also results in the Town being noncompliant with state requirements.

Auditor's Recommendation: We recommend that the Town complete an inventory of all their capital assets, including infrastructure. Then, that listing must be updated annually for any additions or dispositions of assets. Also, those capital assets must be depreciated according to state requirements.

Management's Response: The Town has provided the audit agency with a list of vehicles and the purchase price as a base in which to begin tracking fixed assets. Getting appraisals on property is a costly expense that the Town cannot make a priority at this time.

FS 05-02 – Meter Deposits – Repeated

Criteria: Good internal controls dictate that accounts be reconciled regularly to ensure balances are correctly stated. The meter deposits liability should be reconciled to the meter deposit bank account.

Condition: Meter Deposits are being deposited in the meter deposit checking account. This account is specifically set up by the Town Council for meter deposits that are owed to the individual upon cancellation of service. However, the monies in the bank are not being reconciled to the meter deposit listing maintained in the utility department.

Cause: The prior employees of the Town were not aware of this requirement resulting in the Town not maintaining a list of deposits that agrees to the bank account.

Effect: The effect is that there is not sufficient cash restricted for the meter deposit liability.

Auditor's Recommendation: Currently, management is trying to resolve this issue. However, a policy should be implemented to ensure that all current staff and any future staff are aware of how to deposit, refund, or collect meter deposits and maintain the meter deposit listing.

Management's Response: The Meter account has been made whole and is reconciled monthly.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

FS 05-03 – Untimely Audit Report – Repeated

Criteria: Per 2.2.2.9.A (1) (d) NMAC, a municipality is required to deliver the annual financial audit report to the state auditor on or before the date specified in the audit contract, or December 1 for the Town of Estancia.

Condition: The audit report was filed with the State Auditor’s Office after the December 1st deadline.

Cause: The Town’s 2005 and 2006 audits were finalized very late (the beginning of 2007 and July 2008, respectively).

Effect: The 2006 audit was delayed until the 2005 audit was finalized, which resulted in the 2006 audit being late. For the same reason, the 2007 audit was late and now the Town’s 2008 audit is currently late.

Auditor’s Recommendation: The Town and its auditor will work together to get the Town’s audits caught up so that future audits can be completed timely in accordance with state requirements.

Management’s Response: The Town of Estancia repeatedly contacted the audit company (Griego) to set up appointments and request the information needed for the 06/07 audit. April 2008, Griego met with the Town and collected all information necessary for the 2007 audit. Beginning in September through January 2009 requests were made by the Town of Estancia to schedule an appointment to complete the audit and check the current audit status. It wasn’t until March 2009 that we were contacted for additional information and provided with an email requesting the Town to sign the engagement letter, dated June 2008, which states, “We expect to begin our audit in June 2008 and to submit our reports to the State Auditor’s Office no later than September 15, 2008.” The Town of Estancia is not at fault for the additional delay to the 2007 or 2008 audits.

FS 05-05 – Budget Deficits – Repeated

Criteria: The authority by which the Town can expend funds is the Town Council and the Department of Finance and Administration approved budget (NMSA 1978, Section 6-6-6).

Condition: Expenditures in excess of the budgeted amounts were expended in the following funds:

Williams Library Special Revenue Fund	\$	2,806
Fire Protection Special Revenue Fund		2,600
EMS Special Revenue Fund		562
Cemetery Special Revenue Fund		237
Correction Fees Special Revenue Fund		16,573
CDBG II Special Revenue Fund		<u>6,450</u>
Total	\$	<u>29,228</u>

Cause: The Town policies and procedures do not prevent over expenditure of funds and do not require budget adjustments when necessary.

Effect: The Town is in violation of applicable laws, regulations and policies established by the Town, State and Department of Finance and Administration.

Auditor’s Recommendation: We recommend that management implement procedures to prevent budget over expenditures.

Management’s Response: The DFA does not require approval for adjustments made within the general funds. Currently, all budget adjustments are approved by the board of trustees.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

FS 06-01 – Personnel Files – Repeated

Criteria: : Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a form I-9 within 3 days of hire. This form is to be retained for either three years after the date of hire or one year after the date of termination, whichever is later. Employees are also required to complete Form W-4 so that the Town can withhold the correct federal income tax from employees' pay. These forms must also be maintained on file by the Town. Also, to ensure employees are paid the correct hourly or salary amount, contracts or documents supporting compensation must be included in the employee personnel files. Required documents include starting pay as well as increases or decreases in hourly or salary rate. Additionally, pay rates must be calculated correctly according to the contract amount, and all deductions, including medical insurance, must be calculated and deducted at the correct rate as determined by the entity the deductions will be paid to.

Condition: During our test work of personnel files, GPS noted the following:

- Three out of twenty employees did not have a properly completed I-9
- Two out of twenty employees did not have a properly completed W-4
- One out of twenty employees we could not verify the hourly rate
- One out of twenty employees did not have the medical insurance deducted at the correct rate.

Cause: The Town has not properly completed I-9 and W-4 forms. GPS was informed that the missing hourly rate could be found in the Board minutes, but it was not found. Insurance deductions are not checked after they are calculated at the beginning of the year to ensure correctness of deductions.

Effect: The Town is not in compliance with the Immigration Reform and Control Act of 1986 or with IRS regulations regarding Form W-4. The Town may be subject to penalties. Incomplete supporting documentation and incorrect calculations represents a possible failure of internal control procedures and may result in possible litigation, penalties or liabilities to the Town.

Auditors' Recommendations: We recommend the Town ensure all employees' I-9 and W-4s are correctly completed in accordance with federal requirements. Additionally the town should keep documentation on file for all employees regarding rate of pay and insurance deduction calculations.

Management's Response: The Town verifies the records of all new employees. The Community Developer checks the YCC employment records and any summer employment. The Deputy Clerk/Treasurer double checks. In the case that the Community Developer position is not filled, the Clerk/Administrator checks or double checks the records. It has not been the practice to fill out payroll change notices for temporary summer employees. The auditors did not ask for assistance to find the information in the minutes. The Town of Estancia does check deductions on a regular basis. We are unaware of any errors in deductions.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

FS 06-02 – Cash Disbursements, Purchase Orders and Requisitions – Repeated

Criteria: Good accounting practices suggest that all purchases are properly approved before the expense is incurred and purchase must be supported by appropriate documentation.

Condition: During our test work of cash disbursements, we noted the following:

- 2 out of 20 purchase requisitions had amounts that were changed with no written approval
- 13 out of 20 invoices had no purchase order
- 11 out of 20 purchase orders had no purchase requisition
- 4 out of 20 purchases included inadequate supporting documentation

In our individually significant testwork, the client was unable to provide adequate supporting documentation for 3 out of 7 items

Cause: The Town has not followed their own policies regarding purchasing.

Effect: The result is that purchases are being made before they're approved and that purchases are made in amounts greater than what was approved.

Auditor's recommendation: The Town must process and issue approved purchase requisitions and purchase orders prior to expending funds in accordance with their proper internal control procedures.

Management's Response: Due to high turn-over in the Deputy Clerk position and a vacancy for a period of time, errors occurred and this has been corrected. The Town is consistently following the purchase order procedures. Due to the Mayor working a regular full time job, it is necessary to sometimes purchase items and obtain his signature later. However, a verbal consent is usually obtained (as the Mayor is available) and noted. Prices may fluctuate up to 10 percent plus the cost of shipping and handling without additional authorization. Emergency purchases are also allowed without authorization which would date the invoice before the purchase order.

FS 07-01 – Capital Asset Dispositions

Criteria: Per NMAC 2.20.1.18 Disposition of Fixed Assets, A. Sections 13-6-1 through 13-6-2 NMSA 1978, and the procurement code govern the disposition of fixed assets. B. For property whose fair market value is under \$5,000 and obsolete, or unusable, disposition may be made by: (1) negotiated sale to any governmental unit of an Indian nation, tribe or pueblo in New Mexico, or by negotiated sale or donation to other state agencies, local public bodies, school districts, state educational institutions or municipalities, (2) sale at public auction, (3) destruction, (4) disposal of hazardous materials in compliance with environmental regulations, and (5) sale through solicitation of written bids through the state purchasing division. C. For property whose fair market value is over \$5,000, disposition may be made only through written approval by the state budget division.

Condition: The Town disposed of various vehicles during the audit year. Due to the not being able to obtain original purchase date or cost, GPS could not verify if the correct procedures were followed when the assets were disposed of.

Cause: The Town does not have a complete listing of capital assets due to not taking a complete inventory of their capital assets.

Effect: The Town is noncompliant with capital asset disposition requirements. The town may be disposing of capital assets inappropriately and/or disposing of capital assets that otherwise might not have been approved by the State.

Auditor's Recommendation: Capital asset disposition compliance must be followed. Based on the criteria mentioned above the Town should dispose of capital assets under \$5,000 appropriately and if over \$5,000 must notify the state budget division.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

Management's Response: The Town has provided the auditors with a list of all vehicles and original purchase price for the 2008 fiscal year audit. Financially, appraisals for property are not a priority for the Town at this time.

FS 07-02 – Agreement of DFA Report to General Ledger

Criteria: The Town is required to file various reports with the Department of Finance and Administration (DFA) throughout the year, which should be prepared using figures from the Town's general ledger.

Condition: The Town's DFA reports for revenues and expenditures for fiscal year 2007 do not agree with the Town's general ledger for the same time period.

Cause: The DFA report was not prepared using figures from the Town's general ledger.

Effect: The Town's DFA reports for revenues and expenditures for fiscal year 2007 do not agree with the Town's general ledger for the same time period.

Auditor's Recommendation: The Town must prepare DFA reports using the Town's general ledger, and reconcile those reports to ensure they are in agreement.

Management's Response: The Town of Estancia disagrees with these findings. All of our reports are reconciled monthly and are used to create the DFA reports.

FS 07-03 - SAS 112 Compliance

Criteria: Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Condition: The individuals responsible for the accounting and reporting functions for the Town lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements.

Cause: Individuals responsible for the accounting and reporting functions for the Town have not received training in preparing governmental financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements.

Effect: The Town, without the aid of its auditors, is unable to accurately prepare financial statements in accordance with governmental accounting standards with regard to applying generally accepted accounting principles.

Auditor's Recommendations: We recommend the Town's accounting management receive the training relating to the preparation of the Town's financial statements in accordance with generally accepted accounting principles. This would give the individuals responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principles to the financial statements.

Management Response: When the Town went out to bid for an auditor, the RFP requested that the auditor prepare our financial statements. It was accepted by Griego to prepare the year-end financial statements for the Town of Estancia.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

FS 07-04 – Travel and Per Diem

Criteria: Per NMAC 2.42.2.10 Travel Advances: A. Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences. Per NMAC 2.42.2.8 Per Diem Rates Proration: (3) Return from overnight travel: On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made.

Condition: During the review of Travel & Per Diem transactions the following was noted: - One out of five transactions reviewed showed that an employee received 100 percent of advance before travel. - One out of five transactions did not get partial pay for the return from overnight travel. -GPS could not verify one out of five if partial pay should have been paid due to time not being filled out on form. - Travel forms do not have a date of approval.

Cause: The Town does not have adequate internal controls over travel and per diem.

Effect: The noncompliance could subject officials and employees to punishment as defined by state statutes. Employees could be underpaid and/or unauthorized travel and per diem expenditures could occur.

Auditor's Recommendations: We recommend the Town implement a formal procedure for the reimbursement and / or payment of travel and per diem and training expenditures.

Management Response: The Town will have a policy in place for the 2010 fiscal year.

FS 07-05 – Trial Balance

Criteria: Good accounting practices indicate that the Town's books should be maintained in such a way that a general ledger which balances out by fund be available.

Condition: The Town does not maintain a general ledger which balances by fund.

Cause: The Town's books are maintained in multiple QuickBooks files which must be pieced together and divided into funds to prepare a general ledger. Even when this is done, the funds don't balance to zero and a miscellaneous revenue account has to be used as a plug to get the general ledger to balance out. Additionally, the Town's books have many balance sheet accounts which have been on the books for several years and need to be cleaned up.

Effect: The result is that the Town doesn't have an accurate day to day general ledger with which to make decisions. Ultimately, the Town's audit opinion is qualified due to the fact that the general ledger doesn't balance and a large adjustment has to be made in order to get the funds to zero out.

Auditor's Recommendations: We recommend the Town either change accounting software or make changes to the current Quickbooks file so that all transactions are recorded in one file by fund to ensure funds balance to zero and that transactions are not being recorded multiple times in the various files.

Management Response: The Town needs a system that will handle fund accounting. Various programs have been investigated over the past several years and are found to be too expensive. Recently, the Town has met with our DFA analyst and Quickbooks is the best we can afford with the money we have available at this time. I do not agree, at this time, that we do not have a general ledger that does not balance. Only minor adjustments have been made and the general ledger is extremely accurate for day to day decisions.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

Section III – PRIOR YEAR AUDIT FINDINGS

FS 05-01 – Capital Assets - Repeated
FS 05-02 – Meter Deposits - Repeated
FS 05-03 – Untimely Audit Report - Repeated
FS 05-05 – Budget Deficits – Repeated
FS 06-01 – Personnel Files – Repeated
FS 06-02 – Purchase Orders – Repeated
FS 06-03 – Cash Receipts – Resolved
FS 06-04 – Credit Cards – Resolved

Section IV – OTHER DISCLOSURES

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC.

Exit Conference

The contents of this report were discussed on May 7, 2009. The following individuals were in attendance.

Town of Estancia

Michelle Dunlap, Councilor
Tammy Meyer, Town Clerk

Griego Professional Services, LLC

Monica Yapple, CPA