

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**



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## **INTRODUCTORY SECTION**

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STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
OFFICIAL ROSTER  
JUNE 30, 2008

<u>Name</u>		<u>Title</u>
	<b><u>Town Council</u></b>	
Martin Hibbs		Mayor
Michelle Dunlap		Councilor
Becky Bailey		Councilor
Josie Richards		Councilor
Sylvia Chavez		Councilor
	<b><u>Administration</u></b>	
Tammy Meyer		Town Clerk

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**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
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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  
Theodore 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, 2008, 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, 2008, 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, 2008 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, 2008.

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, 2008, 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, 2008, 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 July 1, 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  
July 1, 2009

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**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A-1

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and temporary investments	\$ 128,189	\$ (18,186)	\$ 110,003
Receivables	153,455	26,486	179,941
Internal balances	(197,752)	197,752	-
Total Current Assets	83,892	206,052	289,944
Noncurrent Assets			
Restricted cash	40,715	-	40,715
Capital assets	3,179,839	3,731,498	6,911,337
Less: accumulated depreciation	-	(1,379,433)	(1,379,433)
Total capital assets	3,220,554	2,352,065	5,572,619
Total assets	\$ 3,304,446	\$ 2,558,117	\$ 5,862,563

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**  
**JUNE 30, 2008**

Exhibit A-1

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 33,001	\$ 22,401	\$ 55,402
Accrued payroll	17,500	23,591	41,091
Meter deposit payable	-	-	-
Accrued compensated absences	17,003	6,350	23,353
Current portion of long-term obligations	32,981	94,206	127,187
<b>Total Current Liabilities:</b>	<b>100,485</b>	<b>146,548</b>	<b>247,033</b>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of long-term obligations	161,985	440,043	602,028
<b>Total liabilities</b>	<b>262,470</b>	<b>586,591</b>	<b>849,061</b>
Invested in capital assets, net of related debt	2,984,873	2,352,065	5,336,938
Restricted for:			
Capital projects	(3,671)	-	(3,671)
Unrestricted	60,774	(380,539)	(319,765)
<b>Total net assets</b>	<b>3,041,976</b>	<b>1,971,526</b>	<b>5,013,502</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,304,446</b>	<b>\$ 2,558,117</b>	<b>\$ 5,862,563</b>

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, 2008**

<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>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 391,688	\$ 90,311	\$ 136,435	\$ 1,842
Public safety	356,802	23,946	139,512	-
Culture and recreation	281,256	68,853	6,236	-
Health and welfare	33,683	2,225	-	-
Public works	161,864	-	47,290	-
Interest and other charges	-	21	-	-
Total governmental activities	<u>1,225,293</u>	<u>185,356</u>	<u>329,473</u>	<u>1,842</u>
Business-like activities:				
Solid Waste	600,744	606,268	-	-
Utilities	-	-	-	-
Sewer	-	-	-	-
Total business-like activities	<u>600,744</u>	<u>606,268</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,826,037</u>	<u>\$ 791,624</u>	<u>\$ 329,473</u>	<u>\$ 1,842</u>

**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

<b>Net (Expenses) Revenue and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (163,100)	\$ -	\$ (163,100)
(193,344)	-	(193,344)
(206,167)	-	(206,167)
(31,458)	-	(31,458)
(114,574)	-	(114,574)
21	-	21
<u>(708,622)</u>	<u>-</u>	<u>(708,622)</u>
-	5,524	5,524
-	-	-
-	-	-
<u>-</u>	<u>5,524</u>	<u>5,524</u>
<u>\$ (708,622)</u>	<u>\$ 5,524</u>	<u>\$ (703,098)</u>
20,419	-	20,419
595,918	-	595,918
18,647	-	18,647
63,634	-	63,634
31,373	-	31,373
-	-	-
4,235	-	4,235
<u>734,226</u>	<u>-</u>	<u>734,226</u>
25,604	5,524	31,128
3,016,372	1,966,002	4,982,374
-	-	-
<u>3,016,372</u>	<u>1,966,002</u>	<u>4,982,374</u>
<u>\$ 3,041,976</u>	<u>\$ 1,971,526</u>	<u>\$ 5,013,502</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

Exhibit B-1  
(Page 1 of 2)

	General Fund	Gas Tax Fund	CDBG Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
<i>Current:</i>					
Cash and temporary investments	\$ 107,570	\$ -	\$ 11	\$ 20,608	\$ 128,189
Accounts receivable					
Licenses and fees	-	-	-	-	-
Property taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Other receivables	153,455	-	-	-	153,455
Due from business-type activities	-	-	-	-	-
Interfund balances	-	-	-	31,388	31,388
<i>Restricted:</i>					
Cash and temporary investments	40,715	-	-	-	40,715
<i>Total current assets</i>	<u>\$ 301,740</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 51,996</u>	<u>\$ 353,747</u>
 <b>LIABILITIES AND FUND BALANCE</b>					
<i>Current Liabilities:</i>					
Accounts payable	\$ 31,832	\$ -	\$ -	\$ 1,169	\$ 33,001
Accrued payroll	17,500	-	-	-	17,500
Interfund balances	196,511	32,629	-	-	229,140
Deferred revenue	-	-	-	-	-
Deferred revenue - property taxes	-	-	-	-	-
<i>Total current liabilities</i>	<u>245,843</u>	<u>32,629</u>	<u>-</u>	<u>1,169</u>	<u>279,641</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	55,897	-	-	-	55,897
Special revenue funds	-	(32,629)	-	50,827	18,198
<i>Total fund balance</i>	<u>55,897</u>	<u>(32,629)</u>	<u>11</u>	<u>50,827</u>	<u>74,106</u>
<i>Total liabilities and fund balance</i>	<u>\$ 301,740</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 51,996</u>	<u>\$ 353,747</u>

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

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STATE OF NEW MEXICO

TOWN OF ESTANCIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

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	\$	74,106
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,179,839
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		(194,966)
Compensated absences		<u>(17,003)</u>
Total Net Assets	\$	<u><u>3,041,976</u></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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit B-2  
(Page 1 of 2)

	General Fund	Gas Tax Fund	CDBG Fund	Nonmajor Governmental Funds	Total Governmental Funds
<i>Revenues:</i>					
Taxes	\$ 690,762	\$ 18,647	\$ -	\$ -	\$ 709,409
Intergovernmental	184,833	63,287	-	140,498	388,618
Licenses and fees	61,912	-	-	7,889	69,801
Charges for services	71,859	-	-	-	71,859
Investment income	4,235	-	-	-	4,235
Miscellaneous	6,125	-	-	850	6,975
<i>Total revenues</i>	<u>1,019,726</u>	<u>81,934</u>	<u>-</u>	<u>149,237</u>	<u>1,250,897</u>
<i>Expenditures:</i>					
<i>Current</i>					
General Government	452,078	-	-	-	452,078
Public safety	296,822	-	-	64,980	361,802
Culture and recreation	259,882	-	-	22,432	282,314
Health and welfare	33,450	-	-	233	33,683
Public works	53,047	34,728	-	-	87,775
Capital outlay	-	74,089	-	58,682	132,771
<i>Debt service</i>					
Principal	11,385	-	-	27,197	38,582
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
<i>Total expenditures</i>	<u>1,106,664</u>	<u>108,817</u>	<u>-</u>	<u>173,524</u>	<u>1,389,005</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(86,938)</u>	<u>(26,883)</u>	<u>-</u>	<u>(24,287)</u>	<u>(138,108)</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>	(86,938)	(26,883)	-	(24,287)	(138,108)
<i>Fund balances - beginning of year</i>	142,835	(5,746)	11	75,114	212,214
<i>Restatement</i>	-	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>142,835</u>	<u>(5,746)</u>	<u>11</u>	<u>75,114</u>	<u>212,214</u>
<i>Fund balances - end of year</i>	<u>\$ 55,897</u>	<u>\$ (32,629)</u>	<u>\$ 11</u>	<u>\$ 50,827</u>	<u>\$ 74,106</u>

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

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**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, 2008**

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	\$	(138,108)
--	----	-----------

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		130,380
Disposal of capital assets		-

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 additions		-
Capital lease adjustments		-
Capital lease retirements		39,640
Increase in accrued compensated absences		<u>(6,308)</u>

Changes in Net Assets	\$	<u>25,604</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 856,710	\$ 856,710	\$ 756,793	\$ (99,917)
Intergovernmental	178,375	178,375	171,615	(6,760)
Licenses and fees	20,935	20,935	22,009	1,074
Charges for services	54,550	54,550	61,211	6,661
Investment income	3,000	3,000	4,235	1,235
Miscellaneous	5,500	5,500	12,190	6,690
<i>Total revenues</i>	<u>1,119,070</u>	<u>1,119,070</u>	<u>1,028,053</u>	<u>(91,017)</u>
<i>Expenditures:</i>				
Current				
General Government	420,631	420,631	423,749	(3,118)
Public safety	293,323	293,323	295,350	(2,027)
Culture and recreation	335,826	335,826	254,961	80,865
Health and welfare	40,137	40,137	33,207	6,930
Public works	-	-	53,621	(53,621)
Capital outlay	-	-	7,301	(7,301)
Debt service				
Principal	12,696	12,696	12,696	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,102,613</u>	<u>1,102,613</u>	<u>1,080,885</u>	<u>21,728</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>16,457</u>	<u>16,457</u>	<u>(52,832)</u>	<u>(69,289)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	(16,457)	(16,457)	-	16,457
<i>Total other financing sources (uses)</i>	<u>(16,457)</u>	<u>(16,457)</u>	<u>-</u>	<u>16,457</u>
<i>Net change in fund balances</i>	-	-	(52,832)	(52,832)
<i>Fund balances - beginning of year</i>	-	-	4,606	4,606
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>4,606</u>	<u>4,606</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,226)</u>	<u>\$ (48,226)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(8,327)	
Adjustments to expenditures (liabilities)			(25,779)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (86,938)</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

## 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 14,070	\$ 14,070	\$ 18,647	\$ 4,577
Intergovernmental	69,514	69,514	63,287	(6,227)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>83,584</u>	<u>83,584</u>	<u>81,934</u>	<u>(1,650)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	83,584	83,584	111,639	(28,055)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>83,584</u>	<u>83,584</u>	<u>111,639</u>	<u>(28,055)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(29,705)</u>	<u>(29,705)</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>	-	-	(29,705)	(29,705)
<i>Fund balances - beginning of year</i>	-	-	(2,924)	(2,924)
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>(2,924)</u>	<u>(2,924)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,629)</u>	<u>\$ (32,629)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			2,822	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (26,883)</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, 2008**

Exhibit D-1

**ASSETS**

*Current Assets:*

Cash and investments	\$ (18,186)
Receivables	26,486
Internal balances	197,752

*Noncurrent Assets:*

Capital assets	3,731,498
Less: accumulated depreciation	<u>(1,379,433)</u>
Total capital assets	<u>2,352,065</u>

<i>Total assets</i>	<u><u>\$ 2,558,117</u></u>
---------------------	----------------------------

**LIABILITIES AND NET ASSETS**

*Current Liabilities:*

Accounts payable	\$ 22,401
Accrued payroll	23,591
Meter deposit payable	-
Accrued compensated absences	6,350
Current portion of long-term obligations	<u>94,206</u>
Total current liabilities	146,548

*Noncurrent Liabilities:*

Noncurrent portion of long-term obligations	<u>440,043</u>
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<i>Total liabilities</i>	<u>586,591</u>
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*Net Assets:*

Invested in capital assets, net of related debt	1,817,816
Unrestricted	<u>153,710</u>

<i>Total net assets</i>	<u>1,971,526</u>
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<i>Total liabilities and net assets</i>	<u><u>\$ 2,558,117</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, 2008**

Exhibit D-2

<i>Operating revenues:</i>	
Charges for services	<u>\$ 541,761</u>
Total operating revenues	<u>541,761</u>
 <i>Operating expenses:</i>	
Salaries	180,640
Travel	2,868
Supplies	32,394
Depreciation	99,589
Contract Services	101,392
Other Operating Expenses	<u>183,861</u>
Total operating expenses	<u>600,744</u>
<i>Operating Income (loss)</i>	(58,983)
 <i>Non-operating revenues (expenses)</i>	
Interest expense	-
Inter-governmental grant	64,507
Transfers	<u>-</u>
Total non-operating revenues (expenses)	<u>64,507</u>
 <i>Change in net assets</i>	 5,524
<i>Total net assets - beginning</i>	1,966,002
<i>Restatement</i>	<u>-</u>
<i>Total net assets - beginning, restated</i>	<u>1,966,002</u>
 <i>Total net assets - ending</i>	 <u><u>\$ 1,971,526</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, 2008**

Exhibit D-3

**Cash Flows From Operating Activities:**

Cash received from customers	\$ 549,494
Cash paid to suppliers and employees	(513,751)
<b>Net Cash Provided by Operating Activities</b>	<b>35,743</b>

**Cash Flows From Noncapital Financing Activities:**

State operating grant received	64,507
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<b>64,507</b>

**Cash Flows From Capital and Related Financing Activities:**

Purchase of capital assets	(59,169)
Capital lease principal payments	(76,071)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(135,240)</b>

Net (Decrease) in Cash and Cash Equivalents	(34,990)
---	----------

Cash and Cash Equivalents, Beginning of Year	16,804
--	--------

Cash and Cash Equivalents, End of Year	\$ (18,186)
--	-------------

**Reconciliation of Operating income to Net Cash Provided by Operating Activities:**

Operating income	\$ (58,983)
------------------	-------------

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	99,589
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Change in assets and liabilities:

Accounts receivable	7,733
Internal balances	(5,337)
Accounts payable	(10,112)
Accrued liabilities	20,488
Accrued compensated absences	(831)
Meter Deposits Payable	(16,804)

<b>Net Cash Provided by Operating Activities</b>	<b>\$ 35,743</b>
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**Summary of Significant Noncash Activities:**

There were no significant noncash activities during the year ended June 30, 2008.

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, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and temporary investments:	<u>\$ 1,971</u>
<i>Total assets</i>	<u><u>\$ 1,971</u></u>
 <b>LIABILITIES</b>	
Due to other entities	<u>\$ 1,971</u>
<i>Total liabilities</i>	<u><u>\$ 1,971</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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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 10<sup>th</sup> and April 10<sup>th</sup> 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, 2008.

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, 2008**

**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, 2008**

**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, 2008**

**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, 2008 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, 2008.

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.

	Wells <u>Fargo Bank</u>	Bank of <u>Albuquerque</u>	<u>Total</u>
Total amounts of deposits	\$ 131,714	\$ 40,715	\$ 172,429
FDIC coverage	(100,000)	(40,715)	(140,715)
Total uninsured public funds	<u>\$ 31,714</u>	<u>\$ —</u>	<u>\$ 31,714</u>
Pledged Collateral held by the pledging bank's trust department or agent but not in the agency's name			
	31,714	—	31,714
Collateral requirement (50% of uninsured public funds)			
	\$ 15,857	\$ —	\$ 15,857
Pledged security	<u>175,261</u>	<u>—</u>	<u>175,261</u>
Total under (over) collateralized	<u>\$ (159,404)</u>	<u>\$ —</u>	<u>\$ (159,404)</u>

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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, 2008, \$31,714 of the Town’s bank balance of \$172,429 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, 2008, the carrying amount of these deposits was \$82,689.

**Investments**

As of June 30, 2008, 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>70,000</u>	\$ <u>70,000</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, 2008. 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, 2008, the Town’s investment of New MexiGROW LGIP had a credit risk rating of AAAM, value of \$70,000 and a 50-day WAM.

**Reconciliation of Cash and Temporary Investments**

Governmental Funds – Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 150,718
Statement of Fiduciary Net Assets – cash per Exhibit E-1	<u>1,971</u>
	152,689
Less investments in state investment pool	<u>(70,000)</u>
	82,689
Add outstanding checks (subtract deposits in transit)	<u>89,740</u>
Bank balance of deposits and repurchase agreements	<u>\$ 172,429</u>

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4. Receivables**

Receivables as of June 30, 2008, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>General Fund</u>	<u>Joint Utilities</u>	
Other	\$ 153,455	\$ 26,486	\$ 179,941
Net Receivables	<u>\$ 153,455</u>	<u>\$ 26,486</u>	<u>\$ 179,941</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**

Receivables and payables from interfund transactions as of June 30, 2008 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>
<b>Governmental Activities:</b>		
<b>Major Funds:</b>		
General Fund	\$ —	\$ 196,511
<b>Nonmajor Funds:</b>		
Fire Protection	19,738	—
EMS	2,259	—
Recreation	—	501
Gas Tax	—	32,629
Garnett Library	20,000	—
Cemetery	19,727	—
Correction Fees	—	1,136
Law Enforcement	2,201	—
CDBG II	—	6,450
Trolley	—	20,768
Capital Projects	—	3,682
Total Governmental Activities	<u>63,925</u>	<u>261,677</u>
<b>Business-Type Activities</b>	<u>197,752</u>	<u>—</u>
Total	<u>\$ 261,677</u>	<u>\$ 261,677</u>

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2008, 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.

<b>Governmental Activities:</b>	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
General Capital Assets	\$ 3,049,459	\$ 130,380	\$ —	\$ 3,179,839
<b>Business-like Activities:</b>	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
<b>Capital Assets Used in Business-like Activities:</b>				
<b>Depreciable Assets:</b>				
Buildings	\$ 206,200	\$ —	\$ —	\$ 206,200
Equipment	249,969	—	—	249,969
Vehicles	38,226	15,000	—	53,226
Plant in Service	2,044,787	—	—	2,044,787
<b>Non-Depreciable Assets:</b>				
Land and Improvements	<u>1,133,147</u>	<u>44,169</u>	<u>—</u>	<u>1,177,316</u>
Total	<u>\$ 3,672,329</u>	<u>\$ 59,169</u>	<u>\$ —</u>	<u>\$ 3,731,498</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	55,397	5,155	—	60,552
Equipment	130,732	35,710	—	166,442
Vehicles	35,381	7,604	—	42,985
Plant in Service	<u>1,058,334</u>	<u>51,120</u>	<u>—</u>	<u>1,109,454</u>
Total	<u>\$ 1,279,844</u>	<u>\$ 99,589</u>	<u>\$ —</u>	<u>\$ 1,379,433</u>
Net Capital Assets	<u>\$ 2,392,485</u>	<u>\$ (40,420)</u>	<u>\$ —</u>	<u>\$ 2,352,065</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2008 totaled \$99,589.

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 7. Long-term Debt**

During the year ended June 30, 2008, the following changes occurred in the long term debt:

	Balance <u>June 30, 2007</u>	Additions & Adjustments	Retirements & Adjustments	Balance <u>June 30, 2008</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
NMFA Fire Pumper	\$ 127,134	\$ —	\$ 20,147	\$ 106,987	\$ 20,497
NMFA Library Renovation	100,422	—	12,433	87,989	12,484
Union Savings Fire Truck	7,049	—	7,049	—	—
Compensated Absences	<u>10,695</u>	<u>11,843</u>	<u>5,535</u>	<u>17,003</u>	<u>17,003</u>
Total Governmental	<u>\$ 245,300</u>	<u>\$ 11,843</u>	<u>\$ 45,164</u>	<u>\$ 211,979</u>	<u>\$ 49,984</u>
<b>Business-Type Activities</b>					
NMED Wastewater Plant	\$ 360,000	\$ —	\$ 45,000	\$ 315,000	\$ 45,000
WFB Utility Shop Bldg	102,597	—	17,540	85,057	18,432
NMFA Road Grader	147,723	—	13,531	134,192	30,774
Compensated Absences	<u>7,181</u>	<u>5,846</u>	<u>6,677</u>	<u>6,350</u>	<u>6,350</u>
Total Business-Type	<u>\$ 617,501</u>	<u>\$ 5,846</u>	<u>\$ 82,748</u>	<u>\$ 540,599</u>	<u>\$ 100,556</u>
Total Long-Term Debt	<u>\$ 862,801</u>	<u>\$ 17,689</u>	<u>\$ 127,912</u>	<u>\$ 752,578</u>	<u>\$ 150,540</u>

As of June 30, 2008, the annual requirements to amortize all governmental loans payable outstanding, including, interest, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 32,981	\$ 2,411	\$ 35,392
2010	33,405	2,031	35,436
2011	33,888	1,600	35,488
2012	34,420	1,123	35,543
2013	34,988	611	35,599
2014-2018	<u>25,294</u>	<u>95</u>	<u>25,389</u>
Total	<u>\$ 194,976</u>	<u>\$ 7,871</u>	<u>\$ 202,847</u>

As of June 30, 2008, the annual requirements to amortize all business-type loans payable outstanding, including, interest, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 94,206	\$ 6,336	\$ 100,542
2010	78,399	5,089	83,488
2011	79,650	3,838	83,488
2012	80,962	2,526	83,488
2013	65,379	1,360	66,739
2014-2018	<u>135,653</u>	<u>1,994</u>	<u>137,647</u>
Total	<u>\$ 534,249</u>	<u>\$ 21,143</u>	<u>\$ 555,392</u>



**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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, 2008, compensated absences increased \$6,308 in the governmental funds and decreased \$831 in the proprietary funds over the prior year accrual. See Note 1 for more details.

**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, 2008:

**Governmental Funds:**

**Major Funds:**

Gas Tax	\$32,629
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**Nonmajor Funds:**

Recreation	501
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Correction Fees	1,136
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CBDG II	6,450
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Trolley	20,768
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Capital Projects	3,682
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Total Governmental Funds	\$ 65,166
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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, 2008.

**Governmental Funds:**

**Major Funds:**

Gas Tax	\$ 28,055
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**Nonmajor Funds:**

Recreation	314
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Cemetery	226
----------	-----

Correction Fees	998
-----------------	-----

Total Governmental Funds	\$ 29,593
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**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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. 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, 2008 were \$50,863.

**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, 2008**

**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, 2008, 2007 and 2006, the Town remitted \$5,051, \$5,524, and \$5,296, respectively, in employer contributions and \$2,525, \$2,762, and \$2,648 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.

**NOTE 14. Subsequent Events**

On July 08, 2008, the Town entered into a loan agreement with NMED for the completion of Rural Infrastructure Program (RIP). The loan agreement amount was \$100,000 with an interest rate of 3.0% and annual payments for 20 years.

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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.

**Trolley Fund** – to account for revenues and expenditures of trolley maintenance and repairs and initial cost of gas station. Authority: Village Council action.

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**

	Fire Protection	EMS	Recreation	Williams Library
<b>ASSETS</b>				
Current:				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 20,608
Accounts receivable				
Licenses and fees	-	-	-	-
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Interfund balances	19,738	2,259	-	-
Restricted:				
Cash and temporary investments	-	-	-	-
<i>Total current assets</i>	\$ 19,738	\$ 2,259	\$ -	\$ 20,608
 <b>LIABILITIES AND FUND BALANCE</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 1,129	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Interfund balances	-	-	501	-
Deferred revenue	-	-	-	-
Deferred revenue - property taxes	-	-	-	-
<i>Total current liabilities</i>	1,129	-	501	-
<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	18,609	2,259	(501)	20,608
<i>Total fund balance</i>	18,609	2,259	(501)	20,608
<i>Total liabilities and fund balance</i>	\$ 19,738	\$ 2,259	\$ -	\$ 20,608

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>Trolley</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,608
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,000	19,727	-	2,201	-	-	63,925
-	-	-	-	-	-	-
<u>\$ 20,000</u>	<u>\$ 19,727</u>	<u>\$ -</u>	<u>\$ 2,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,533</u>
\$ -	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,169
-	-	-	-	-	-	-
-	-	1,136	-	6,450	20,768	28,855
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	40	1,136	-	6,450	20,768	30,024
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,000	19,687	(1,136)	2,201	(6,450)	(20,768)	54,509
20,000	19,687	(1,136)	2,201	(6,450)	(20,768)	54,509
<u>\$ 20,000</u>	<u>\$ 19,727</u>	<u>\$ -</u>	<u>\$ 2,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,533</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, 2008**

	Fire Protection	EMS	Recreation	Williams Library
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	61,995	6,903	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>61,995</u>	<u>6,903</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	34,878	5,176	-	-
Culture and recreation	-	-	1,264	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	27,197	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>62,075</u>	<u>5,176</u>	<u>1,264</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(80)</u>	<u>1,727</u>	<u>(1,264)</u>	<u>-</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>	<u>(80)</u>	<u>1,727</u>	<u>(1,264)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	18,689	532	763	20,608
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>18,689</u>	<u>532</u>	<u>763</u>	<u>20,608</u>
<i>Fund balances - end of year</i>	<u>\$ 18,609</u>	<u>\$ 2,259</u>	<u>\$ (501)</u>	<u>\$ 20,608</u>

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

Garnett Library	Cemetery	Correction Fees	Law Enforcement Protection	CDBG II	Trolley	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	21,200	-	400	90,498
-	1,375	6,514	-	-	-	7,889
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	850	-	-	-	-	850
-	2,225	6,514	21,200	-	400	99,237
-	-	-	-	-	-	-
-	-	10,198	14,728	-	-	64,980
-	-	-	-	-	21,168	22,432
-	233	-	-	-	-	233
-	-	-	-	-	-	-
-	-	-	5,000	-	-	5,000
-	-	-	-	-	-	-
-	-	-	-	-	-	27,197
-	-	-	-	-	-	-
-	233	10,198	19,728	-	21,168	119,842
-	1,992	(3,684)	1,472	-	(20,768)	(20,605)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,992	(3,684)	1,472	-	(20,768)	(20,605)
20,000	17,695	2,548	729	(6,450)	-	75,114
-	-	-	-	-	-	-
20,000	17,695	2,548	729	(6,450)	-	75,114
\$ 20,000	\$ 19,687	\$ (1,136)	\$ 2,201	\$ (6,450)	\$ (20,768)	\$ 54,509

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

## 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	61,995	61,995	61,995	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>61,995</u>	<u>61,995</u>	<u>61,995</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	35,340	35,340	34,730	610
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	7,557	(7,557)
Debt service				
Principal	26,655	26,655	19,215	7,440
Interest	-	-	-	-
<i>Total expenditures</i>	<u>61,995</u>	<u>61,995</u>	<u>61,502</u>	<u>493</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</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>	-	-	493	493
<i>Fund balances - beginning of year</i>	-	-	19,245	19,245
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>19,245</u>	<u>19,245</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,738</u>	<u>\$ 19,738</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			(573)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (80)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,370	7,370	6,903	(467)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,370</u>	<u>7,370</u>	<u>6,903</u>	<u>(467)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	7,374	7,374	5,176	2,198
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,374</u>	<u>7,374</u>	<u>5,176</u>	<u>2,198</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4)</u>	<u>(4)</u>	<u>1,727</u>	<u>1,731</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	4	4	-	(4)
<i>Total other financing sources (uses)</i>	<u>4</u>	<u>4</u>	<u>-</u>	<u>(4)</u>
<i>Net change in fund balances</i>	-	-	1,727	1,727
<i>Fund balances - beginning of year</i>	-	-	532	532
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>532</u>	<u>532</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,259</u>	<u>\$ 2,259</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>\$ 1,727</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 1,060	\$ 1,060	\$ -	\$ (1,060)
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,060</u>	<u>1,060</u>	<u>-</u>	<u>(1,060)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	465	(465)
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	950	950	799	151
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>950</u>	<u>950</u>	<u>1,264</u>	<u>(314)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>110</u>	<u>110</u>	<u>(1,264)</u>	<u>(1,374)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	(110)	(110)	-	110
<i>Total other financing sources (uses)</i>	<u>(110)</u>	<u>(110)</u>	<u>-</u>	<u>110</u>
<i>Net change in fund balances</i>	-	-	(1,264)	(1,264)
<i>Fund balances - beginning of year</i>	-	-	763	763
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>763</u>	<u>763</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (501)</u>	<u>\$ (501)</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>\$ (1,264)</u>	

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

## STATE OF NEW MEXICO

Statement A-6

## 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, 2008

	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>	-	-	20,608	20,608
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>20,608</u>	<u>20,608</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)			-	
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-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, 2008

	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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	1,375	1,375
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	850	850
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2,225</u>	<u>2,225</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	226	(226)
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>226</u>	<u>(226)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,999</u>	<u>1,999</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>	-	-	1,999	1,999
<i>Fund balances - beginning of year</i>	-	-	17,728	17,728
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>17,728</u>	<u>17,728</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,727</u>	<u>\$ 19,727</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			(7)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,992</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	9,200	9,200	6,514	(2,686)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,200</u>	<u>9,200</u>	<u>6,514</u>	<u>(2,686)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	9,200	9,200	10,198	(998)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,200</u>	<u>9,200</u>	<u>10,198</u>	<u>(998)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(3,684)	(3,684)
<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>	-	-	(3,684)	(3,684)
<i>Fund balances - beginning of year</i>	-	-	2,548	2,548
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>2,548</u>	<u>2,548</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,136)</u>	<u>\$ (1,136)</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>\$ (3,684)</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	21,200	21,200	21,200	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>21,200</u>	<u>21,200</u>	<u>21,200</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current</i>				
General Government	-	-	-	-
Public safety	21,228	21,228	19,728	1,500
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,228</u>	<u>21,228</u>	<u>19,728</u>	<u>1,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(28)</u>	<u>(28)</u>	<u>1,472</u>	<u>1,500</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	28	28	-	(28)
<i>Total other financing sources (uses)</i>	<u>28</u>	<u>28</u>	<u>-</u>	<u>(28)</u>
<i>Net change in fund balances</i>	-	-	1,472	1,472
<i>Fund balances - beginning of year</i>	-	-	729	729
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>729</u>	<u>729</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,201</u>	<u>\$ 2,201</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>\$ 1,472</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, 2008

	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>	-	-	(6,450)	(6,450)
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	<u>-</u>	<u>-</u>	<u>(6,450)</u>	<u>(6,450)</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>\$ -</u>	

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



## STATE OF NEW MEXICO

Statement A-12

## TOWN OF ESTANCIA

## TROLLEY 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	41,000	41,000	400	(40,600)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>41,000</u>	<u>41,000</u>	<u>400</u>	<u>(40,600)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	41,000	41,000	21,168	19,832
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>41,000</u>	<u>41,000</u>	<u>21,168</u>	<u>19,832</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(20,768)</u>	<u>(20,768)</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>	-	-	(20,768)	(20,768)
<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>\$ (20,768)</u>	<u>\$ (20,768)</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>\$ (20,768)</u>	

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

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**CAPITAL PROJECT FUNDS**

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## **CAPITAL PROJECTS FUND**

**Capital Projects Fund** – To account for proceeds from the New Mexico Department of Transportation for the road improvement project.

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUND**  
**JUNE 30, 2008**

Statement B-1

<b>ASSETS</b>	<u>Capital Projects</u>
Current:	
Cash and temporary investments	\$ -
Accounts receivable	
Licenses and fees	-
Property taxes	-
Other taxes	-
Intergovernmental	-
Other receivables	-
Interfund balances	-
Restricted:	
Cash and temporary investments	-
<i>Total current assets</i>	<u><u>\$ -</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<i>Current Liabilities:</i>	
Accounts payable	\$ -
Accrued payroll	-
Interfund balances	3,682
Deferred revenue	-
Deferred revenue - property taxes	-
<i>Total current liabilities</i>	<u>3,682</u>
 <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	(3,682)
<i>Total fund balance</i>	<u>(3,682)</u>
<i>Total liabilities and fund balance</i>	<u><u>\$ -</u></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 CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Statement B-2

	Capital Projects
<i>Revenues:</i>	
Taxes	\$ -
Intergovernmental	50,000
Licenses and fees	-
Charges for services	-
Investment income	-
Miscellaneous	-
	50,000
 <i>Total revenues</i>	
 <i>Expenditures:</i>	
Current	
General Government	2,391
Public safety	-
Culture and recreation	-
Health and welfare	-
Public works	-
Capital outlay	51,291
Debt service	
Principal	-
Interest	-
Bond issuance costs	-
	53,682
 <i>Total expenditures</i>	
 <i>Excess (deficiency) of revenues over expenditures</i>	
	(3,682)
 <i>Other financing sources (uses):</i>	
Operating transfers in (out)	-
Bond proceeds	-
	-
 <i>Total other financing sources (uses)</i>	
 <i>Net change in fund balances</i>	
	(3,682)
 <i>Fund balances - beginning of year</i>	
Restatement	-
<i>Fund balances - beginning of year, restated</i>	-
 <i>Fund balances - end of year</i>	
	\$ (3,682)

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

## STATE OF NEW MEXICO

Statement B-3

## 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, 2008

	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>	-	-	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)			-	
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**  
**TOWN OF ESTANCIA**  
**CAPITAL PROJECTS FUND**

Statement B-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	200,000	200,000	50,000	(150,000)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	200,000	200,000	50,000	(150,000)
<i>Expenditures:</i>				
<i>Current</i>				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	200,000	200,000	53,682	146,318
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	200,000	200,000	53,682	146,318
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(3,682)	(3,682)
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	(3,682)	(3,682)
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Restatement</i>	-	-	-	-
<i>Fund balances - beginning of year, restated</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ (3,682)	\$ (3,682)
<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>			\$ (3,682)	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 527,556	\$ 527,556	\$ 545,127	\$ 17,571
Total operating revenues	527,556	527,556	545,127	17,571
<i>Operating expenses:</i>				
Salaries	209,139	209,139	179,113	30,026
Travel	2,500	2,500	2,868	(368)
Supplies	125,000	125,000	36,726	88,274
Contract Services	85,000	85,000	104,546	(19,546)
Capital Outlay	-	-	4,238	(4,238)
Principal Payments	-	-	66,467	(66,467)
Other Operating Expenses	722,310	722,310	127,254	595,056
Total operating expenses	1,143,949	1,143,949	521,212	622,737
<i>Operating Income (loss)</i>	(616,393)	(616,393)	23,915	640,308
<i>Non-operating revenues (expenses)</i>				
Designated cash	-	-	-	-
Interest expense	-	-	(45,000)	(45,000)
Inter-governmental grant	632,000	632,000	67,503	(564,497)
Transfers	-	-	-	-
Total non-operating revenues (expenses)	632,000	632,000	22,503	(609,497)
<i>Change in net assets</i>	15,607	15,607	46,418	30,811
<i>Total net assets - beginning</i>	-	-	209,219	209,219
<i>Restatement</i>	-	-	-	-
<i>Total net assets - beginning, restated</i>	-	-	209,219	209,219
<i>Total net assets - ending</i>	\$ 15,607	\$ 15,607	\$ 255,637	\$ 240,030
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(6,362)	
Adjustments to expenditures (liabilities)			(34,532)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 5,524	

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, 2008

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<b>ASSETS</b>				
Cash	\$ 2,394	\$ 43,497	\$ 43,920	\$ 1,971
<i>Total assets</i>	<u>\$ 2,394</u>	<u>\$ 43,497</u>	<u>\$ 43,920</u>	<u>\$ 1,971</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 2,394	\$ 43,497	\$ 43,920	\$ 1,971
<i>Total liabilities</i>	<u>\$ 2,394</u>	<u>\$ 43,497</u>	<u>\$ 43,920</u>	<u>\$ 1,971</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, 2008**

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2008</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	FNCL 882455 04/01/2036 Cusip 31409YMC8 6.00%	<u>\$ 175,261</u>	Wells Fargo Bank San Francisco, CA
	Total Pledged Collateral	<u><u>\$ 175,261</u></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, 2008**

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	\$ 25,095	\$ -	\$ -	\$ 25,095
Meter Deposits	18,130	-	-	18,130
Town of Estancia	17,493	-	-	17,493
Investment Account	41,259	-	-	41,259
Payroll Account	27,766	-	-	27,766
Municipal Court	1,971	-	-	1,971
Program Funds	-	311	-	311
Debt Service Reserve Funds	-	12,568	-	12,568
Debt Service Reserve Funds	-	13,023	-	13,023
Debt Service Reserve Funds	-	14,813	-	14,813
NM State Investment Pool	-	-	70,000	70,000
<b>Total On Deposit</b>	<b>131,714</b>	<b>40,715</b>	<b>70,000</b>	<b>242,429</b>
Reconciling Items	(89,740)	-	-	(89,740)
Reconciled Balance June 30, 2008	<u>\$ 41,974</u>	<u>\$ 40,715</u>	<u>\$ 70,000</u>	<u>\$ 152,689</u>
Petty Cash				-
Combined Balance Sheet Total June 30, 2008				<u>\$ 152,689</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 JOINT POWERS AGREEMENTS**  
**JUNE 30, 2008**

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	2007, 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.

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<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  
Theodore 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, 2008, and have issued our report thereon dated July 1, 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, 06-02, 07-02, 07-03, 07-05, 08-02, and 08-03.

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 responses as items FS 05-01, 05-03, 05-05 and 08-01.

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.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
July 1, 2009

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2008**

**Section I – SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

1. Type of auditors' report issued	Qualified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes
b. Reportable conditions identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the general-purpose financial statements noted?	Yes

**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.

**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2008**

*Effect:* The effect is that there is excess cash 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:* On 6-30-07 a journal entry was entered to establish the meter fund account as a separate company and all meter deposits and meter refunds are paid from that company. Money was transferred during the 2008 fiscal year to make the meter fund whole. The bank statements are balanced to the meter fund account each month. A listing of all deposits on the UB Pro account was printed and verified to establish the beginning amount. The town does maintain a balance in the meter fund account capable of paying each deposit on record. At present time, the exact amount necessary is in the meter account to pay each deposit on record. This amount is maintained and reconciled monthly.

**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 1<sup>st</sup> 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 January 2009, that Griego began requesting information. The Town of Estancia is not at fault for the additional delay to the 2007 or 2008 audits.

*Auditor's Response:* The state of the Town's books and the delay of receiving information made it very difficult to complete the audit for 2008. The firm performed its duties in the most efficient and effective manner considering the hindrance.

**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:

Recreation Special Revenue Fund	\$ 314
Gas Tax Special Revenue Fund	28,055
Cemetery Special Revenue Fund	226
Correction Fees Special Revenue Fund	998
Total	<u>\$ 29,593</u>

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*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 Town Trustees were made aware of the overage in the Gas Tax Special Revenue Fund. The others were oversights and adjustments should have been made. Policies and proper procurement procedures are in place to prevent over spending.

**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:

- 14 out of 51 invoices had no purchase order or purchase requisition (total of 14 invoices was \$70,731.38)
- 7 out of 20 purchase orders had no approving signatures for the requisition (total of 7 purchase orders was \$2,338.22)
- 14 out of 51 purchases included inadequate supporting documentation (total of 14 invoices was \$70,731.38)

In our individually significant testwork, the client was unable to provide adequate supporting documentation for 8 out of 31 items (total of 8 items was \$66,249.59)

*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:* The Town has made great strides in implementing the cash disbursements, purchase orders and requisitions requirements. But due to the various departments requiring items on a immediate (emergency) basis it is not always possible to have the purchase requisitions and PO prior to purchase. We disagree that adequate documents are not obtained prior to paying for purchases. We pay off of invoices and verify that items have been received by the department placing the order. PO, purchase requisitions, invoices and/or statements along with a copy of the check is attached for each payment, except for amounts in which we have contracts and monthly utilities and credit card payments. All invoices paid go before the Board of Trustees for final approval, as stated in our policy.

**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.

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*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 does use all figures from Quick Books which is maintained as our general ledger to prepare all DFA reports. The general ledger amount does balance with the DFA reports if all companies used in quick books are tied into the DFA report. The Town does acknowledge that this process is time consuming and difficult given the many programs, and would eventually like to upgrade to a more useful government fund accounting program as funding allows

**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:* The Town understands that it is not a finding if we do not prepare our own financial statements, only if we do not understand them. In no prior fiscal year has Griego given the Clerk or Deputy Clerk the opportunity to answer any questions regarding the financial statements. The current Deputy Clerk is knowledgeable and can review and respond to the prepared financial statements.

Communication was very difficult with Griego. If we had any questions and our Audit Manager (Monica) was not available (on maternity leave), our questions did not get answered. We felt our auditors did not ask the Town appropriate questions to address any confusion.

*Auditor's Response:* Proper measures were established during Ms. Monica Yaple's leave of absence to ensure that the client's needs were being addressed. Ms. Jolene Peres was the point of contact and available to answer any questions or concerns.

**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.

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*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 was not asked about the various accounts in Quickbooks, we were only asked to provide the entire Quickbooks file. There are several inactive accounts for 2008 that Griego audited. The Town will zero out the inactive accounts to clear up any confusion in the future.

#### **FS 08-01 – Closing of Bank Account**

*Criteria:* Per NMAC 2.60.2.13, when closing a checking or savings account, each state agency shall submit a written certification stating the account is closed, the circumstances necessitating the closing of the account, and a final bank or savings and loan statement indicating a zero balance.

*Condition:* During review of bank account reconciliations, we noted that the motor vehicle bank account was closed and a written certification was not sent to the Office of the State Treasurer.

*Cause:* The cause is that the Town did not submit the written certification to the Office of the State Treasurer notifying them of the closure of the motor vehicle bank account.

*Effect:* As a result, the Town was in violation of NMAC 2.60.2.13 as of June 30, 2008.

*Auditor's Recommendations:* We recommend that the Town must prepare the written certifications for bank closures to ensure they are adhering to regulation.

*Management Response:* We have policy in place to follow proper procedure when closing a bank account. This particular account was an account the state requested we close because it was a "pass through" account for motor vehicle. Because the State requested the closure, the written certification was not sent to the Office of the State Treasurer by the Town.

#### **FS 08-02: Internal Controls - Receipts**

*Criteria:* SAS 112 suggests that internal controls should be considered deficient if the controls over related assets are susceptible to loss or fraud.

*Condition:* During our testwork of receipts we found the following:

- 20 out of 20 receipts lacked supporting documentation where there were no copies of the checks received or statement from the bank tying the receipt amount to the deposit slip. (20 receipts totaled \$1,522.01)
- 19 out of 20 receipts had no deposit slip which did not allow us to trace to the bank statement. (19 receipts totaled \$1,462.01)
- 4 out of 20 receipts, the client could not provide a payment detail report showing the breakdown of the receipts as well as the total for that receipts batch in order to tie them to the general ledger. (4 receipts totaled \$235.93)

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- 4 out of 20 did not match the total of the payment detail report to the general ledger or tie to a specific transaction number in QuickBooks. (4 receipts totaled \$547.51)

*Cause:* After discussion with management, they could not provide sufficient reasoning for the lack of supporting documentation per the aforementioned results. All they indicated was that they fill out a receipt in their receipt book when receiving money.

*Effect:* Some receipts received can be material amounts and are susceptible to loss or fraud as a result of deficient internal controls. Additionally, not having proof that a deposit was actually deposited in the correct bank account and was not lost or stolen, this places that deposit at risk of fraud or loss.

*Auditor's Recommendation:* We recommend that a pre-numbered receipt books be used to record all miscellaneous receipts in order to prevent potential loss or fraud. Also, internal controls should be established to maintain all supporting documentation, deposit slips, and proof of deposit connected with a receipt.

*Management's Response:* We strongly disagree with this finding. Discussion on this specific finding did not occur in which we could not offer an explanation for receipt back up documents. All money is receipted in and deposited the next business day. Utility bills are a two part bill in which one is given to the customer for a receipt and the other part is kept by the Town for input purposes, the amounts are also logged on a daily transaction sheet that is balanced out each morning. Utility receipts are put into UB Pro and Quick Books by Batch amounts and that amount is deposited each day into the bank. We do not copy each check received by the Town, but we do issue a receipt for the money, due to the cost of copying such a large number of checks each day. We are able to tie batch amounts to deposit slips and to deposits logged into Quick Books for each Utility Batch. Credit Card amounts are entered separately and the deposit are noted as credit card receipts, we had extreme difficulty explaining this process to the different auditors that came from Griego Professional Services LLC, but we are able to show where the deposits and receipts correspond. Any electronic deposits are put into Quick Books and the notification slips are filed in monthly file. All bank statements are reconciled monthly and receipted amounts as well as expenses are verified with the bank records.

*Auditor's Response:* The Town was unable to provide a solid paper trail from receipt of cash to recording into the general ledger. Numerous attempts were made to perform the necessary testwork with the various documents provided by the client. In order to maintain efficiency a finding was issued since we were not able to perform the testwork.

**FS 08-03 – Bank Reconciliation**

*Criteria:* Per NMAC 2.20.5.8 C, all account records shall be reconciled on a monthly basis.

*Condition:* During our review of the Town's documents, we noted that the municipal court reconciliation was not performed all year.

*Cause:* The cause is that the Town did not reconcile the municipal court bank account to the general ledger timely at year end.

*Effect:* As a result, the Town was in violation of NMAC 2.20.2.5.8C as of June 30, 2007.

*Auditor's Recommendation:* We recommend that each bank statement be reconciled to the general ledger balances on a monthly basis and all supporting documentation be maintained.

*Management's Recommendation:* Most months only one or two transactions were completed in the motor vehicle account, so we felt a "formal" form unnecessary. Steps have been taken and reconciliations are done on a monthly basis now regardless of the number of transactions.

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**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 – Resolved  
FS 06-02 – Purchase Orders – Repeated  
FS 07-01 – Capital Asset Dispositions – Resolved  
FS 07-02 – Agreement of DFA Report to General Ledger – Repeated  
FS 07-03 – SAS 112 Compliance – Repeated  
FS 07-04 – Travel and Per Diem – Resolved  
FS 07-05 – Trial Balance – Repeated

**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 July 1, 2009. The following individuals were in attendance.

Town of Estancia

Tammy Meyer, Town Clerk  
Sylvia Chavez, Councilor

Griego Professional Services, LLC

Monica Yaple, CPA  
Jolene Peres, Supervisor