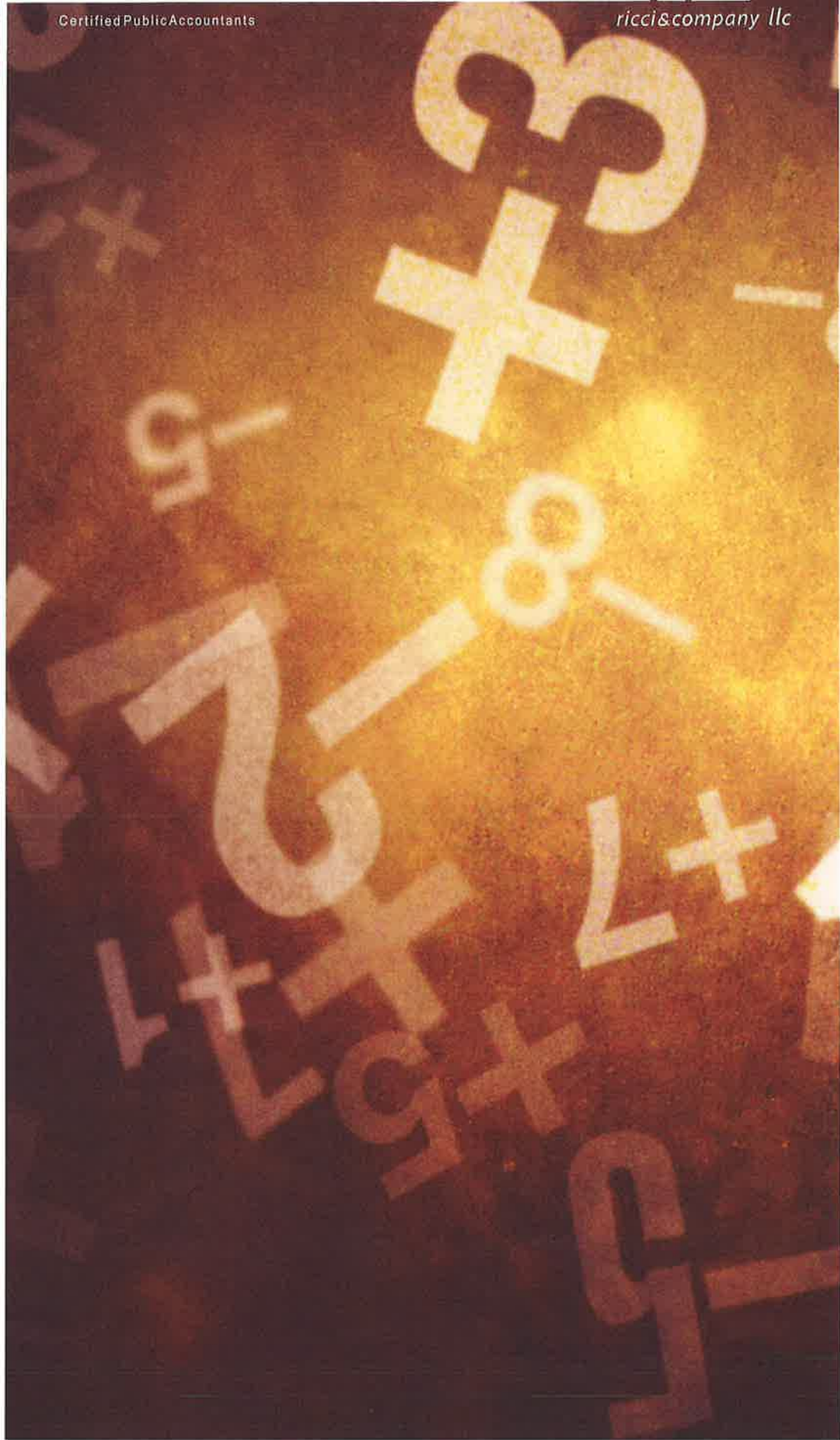




*ricci & company llc*

Certified Public Accountants



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA**

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STATE OF NEW MEXICO  
TOWN OF ESTANCIA

*Official Roster*

**Town Council**

<b><u>Name</u></b>	<b><u>Title</u></b>
Theodore Barela	Mayor
Michelle Dunlap	Councilor
Ivonne Riley	Councilor
Josie Richards	Councilor
Sylvia Chavez	Mayor Pro-tem

**Administration**

Julie Carter	Town Clerk
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## Independent Auditor's 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Town of Estancia, New Mexico, as of and for the year ended June 30, 2011, 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 non-major governmental, and the budgetary comparisons for the major capital project funds, and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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 an opinion 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 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 opinion.

Because of the inadequacy of accounting records related 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, 2011 or the amount of depreciation expense for the year then ended.

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 and depreciation expense 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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 and depreciation expense been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary fund of the Town of Estancia, New Mexico, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for each non-major governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of the Town of Estancia, New Mexico's internal control over financial reporting and 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 management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons presented as supplemental information. The accompanying supporting schedules as listed 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 financial statements taken as a whole.

*Ricci & Company LLC*

Albuquerque, New Mexico  
November 9, 2011

As management of the Town of Estancia, we offer readers of the Town of Estancia financial statements this narrative overview and analysis of the financial activities of the Town of Estancia for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements of the Town of Estancia and additional information provided.

## FINANCIAL HIGHLIGHTS

- The net assets of the Town, including government and business-type activities, exceeded its liabilities at the close of the 2011 fiscal year by \$7,496,308. Of this amount, \$357,323 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Revenues for governmental activities and business-type decreased from prior year by \$69,827. This difference is attributed mainly to a decrease in the amount received for small cities assistance and a decrease in enterprise revenues.
- Expenditures for governmental and business-type activities from prior year increased \$102,702. This difference is attributed to the higher cost of fuel & oil, an e-coli contamination of the water system and increased cost of supplies.
- As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$1,274,285.
- As of June 30, 2011, the Town's business-type activities reported combined ending net asset balances of \$2,511,959.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Estancia's basic financial statements. The Town of Estancia's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS.

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

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

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

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

The government-wide financial statements can be found on pages 10 – 12 of this report.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2011	2010	2011	2010
Current Assets	\$ 327,913	443,550	118,340	72,934
Restricted Assets	1,140,435	1,109,504	-	-
Internal Balances	(144,989)	(149,419)	144,989	149,419
Capital Assets, net of accumulated depreciation	3,830,181	3,600,818	2,633,853	2,754,944
Total Assets	<u>5,153,540</u>	<u>5,004,453</u>	<u>2,897,182</u>	<u>2,977,297</u>
Current Liabilities	110,382	250,262	105,145	115,678
Long-term Liabilities	58,809	118,662	280,078	365,395
Total Liabilities	<u>169,191</u>	<u>368,924</u>	<u>385,223</u>	<u>481,073</u>
Total Net Assets	<u>4,984,349</u>	<u>4,635,529</u>	<u>2,511,959</u>	<u>2,496,224</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2011	2010	2011	2010
Program Revenues				
Charges for services	61,021	50,566	667,718	587,498
Operating grants and contributions	281,268	470,810	-	-
Capital grants and contributions	203,802	174,762	-	-
General Revenues				
Taxes	951,020	837,394	-	-
Other	17,016	38,545	-	300
Transfers	-	(10,020)	-	10,020
Total Revenues	<u>1,514,127</u>	<u>1,562,057</u>	<u>667,718</u>	<u>597,818</u>
Program Expenses				
General government	437,997	408,903	651,983	610,322
Public safety	406,473	389,687	-	-
Culture and recreation	229,205	214,165	-	-
Health and welfare	65,241	52,159	-	-
Public works	24,541	35,914	-	-
Interest and other charges	1,850	3,438	-	-
Total Expenses	<u>1,165,307</u>	<u>1,104,266</u>	<u>651,983</u>	<u>610,322</u>



## FUND FINANCIAL STATEMENTS.

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

### GOVERNMENTAL FUNDS

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

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

The Town of Estancia maintains thirteen individual governmental funds organized according to their type (special revenue and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Estancia adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund and the Capital Project Fund, to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

### PROPRIETARY FUNDS

Proprietary funds are generally used to account for services for which the Town charges customers, either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains one proprietary fund and no component unit.

The basic proprietary fund financial statements can be found on pages 18 – 20.

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 41 of this report.

## COMBINING STATEMENTS

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 45 - 48 of this report.

## ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Estancia, net assets exceeded liabilities by \$7,496,308 at the close of the current fiscal year.

The largest portion of the Town of Estancia's net assets represents the Town's investment of \$5,998,550 in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment), less any related outstanding debt used to acquire those assets. The Town of Estancia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Estancia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net assets* of \$357,323 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Estancia is able to report positive balances in all three categories of net assets, for the government as a whole as well as for the business-type activities.

## ANALYSIS OF CHANGES IN NET ASSETS

The Town's net assets, overall, increased by \$364,555 during the current fiscal year. These increases are primarily a result of monitoring expenses.

## GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town of Estancia's net assets by \$348,820 compared to the prior year's increase of \$457,791. Gross Receipts Tax and other taxes contributed \$951,020 in revenues, or approximately 63% of total revenues of \$1,514,127.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

**Governmental Funds.** The focus of the Town of Estancia's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in

assessing the Town of Estancia's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, the Town of Estancia's governmental funds reported combined ending fund balances of \$1,274,285, an increase of \$57,043 in comparison with the prior year. The increase is primarily due to the decrease in expenditures, particularly those related to capital outlay.

Revenues for governmental functions overall totaled \$1,514,127 in the fiscal year ended June 30, 2011, which represents a decrease of \$57,950 from the fiscal year ended June 30, 2010. Expenditures for governmental functions totaled \$1,457,084. This was a decrease of approximately \$51,952 from the fiscal year ended June 30, 2010. In the fiscal year ended June 30, 2011, revenues exceeded expenditures for governmental functions by \$57,043.

The General Fund is the chief operating fund of the Town of Estancia. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$0.

The fund balance of the Town of Estancia's General Fund had a net increase of \$57,436 during the current fiscal year, due to an increase in gross receipts tax.

The Capital Projects Fund has a fund balance of \$5,599. The net change in fund balance during the current year was \$0.

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

At the end of the fiscal year, the unrestricted net assets for Utilities were \$243,094. The total increase in net assets for the Proprietary Funds was \$15,735 due to an increase in the total number of prisoners being held during the fiscal year at the private prison which is the largest utility consumer for the Town of Estancia.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Town budgets reflect the same pattern as seen in the revenue and expenditures of the Town. The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the Town level, the Town of Estancia utilizes goals and objectives defined by the Town Board of Trustees, community input meetings, long-term plans and input from various staff groups to develop the Town budget. Town priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the entity wide results of the budget for each year; however, the New Mexico State Auditor requires budget to actual schedules for all funds to be reported as separate statements.

The General Fund accounts for all of the general services provided by the Town of Estancia.

At the end of fiscal year 2011, the cash and investments balance of the General Fund had increased by \$55,100. The budget revenue exceeded actual by \$48,413.

General government expenditures include all administrative functions of the Town, which include: Board of Trustees, Administration, Finance, Maintenance, Judicial, Public Safety, Culture & Recreation (including the Library and Pool), and Capital purchases.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The Town of Estancia's capital assets for its governmental and business-type activities as of June 30, 2011 amount to \$6,464,034 (net of accumulated depreciation). Capital assets include land improvements, buildings, machinery, equipment and infrastructure. The total increase in the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$229,363 for road construction in progress. No additional business-type capital assets were incurred in the current fiscal year.

**Debt Administration.** The Statement of Net Assets shows Investment in Capital Assets in the amount of \$5,998,550. This balance includes the capital assets, net of accumulated depreciation, reduced by the note balances associated with those capital assets.

### **ECONOMIC FACTORS**

The Town expects to increase their utility revenues after the CDBG Sewer Lines project is completed. The Mayor and Trustees expect to receive increased gross receipts taxes from increased construction including sewer lines, new subdivision, school projects and various Town road projects.

This financial report is designed to provide a general overview of the Town of Estancia's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Estancia, Clerk's Office; PO Box 166; Estancia, New Mexico, 87016.

## **BASIC FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and temporary investments	\$ 183,183	-	183,183
Receivables	203,801	59,269	263,070
Internal balances	(59,071)	59,071	-
<b>Total current assets</b>	<b>327,913</b>	<b>118,340</b>	<b>446,253</b>
Noncurrent Assets			
Restricted cash	1,140,435	-	1,140,435
Internal balances	(144,989)	144,989	-
Capital assets	3,830,181	4,376,559	8,206,740
Less accumulated depreciation	-	(1,742,706)	(1,742,706)
<b>Total noncurrent assets</b>	<b>4,825,627</b>	<b>2,778,842</b>	<b>7,604,469</b>
<b>Total assets</b>	<b>\$ 5,153,540</b>	<b>2,897,182</b>	<b>8,050,722</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 8,720	8,114	16,834
Accrued payroll	40,354	4,642	44,996
Accrued compensated absences	19,621	7,479	27,100
Current portion of long-term obligations	41,687	84,910	126,597
<b>Total current liabilities</b>	<b>110,382</b>	<b>105,145</b>	<b>215,527</b>
Long-term Liabilities			
Noncurrent portion of long-term obligations	58,809	280,078	338,887
<b>Total liabilities</b>	<b>169,191</b>	<b>385,223</b>	<b>554,414</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,729,685	2,268,865	5,998,550
Restricted for capital projects	1,140,435	-	1,140,435
Unrestricted	114,229	243,094	357,323
<b>Total net assets</b>	<b>4,984,349</b>	<b>2,511,959</b>	<b>7,496,308</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,153,540</b>	<b>2,897,182</b>	<b>8,050,722</b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities				
General government	\$ 437,997	61,021	239,909	-
Public safety	406,473	-	30,281	-
Culture and recreation	229,205	-	-	-
Health and welfare	65,241	-	8,855	-
Public works	24,541	-	2,223	203,802
Interest and other charges	1,850	-	-	-
Total governmental activities	<u>1,165,307</u>	<u>61,021</u>	<u>281,268</u>	<u>203,802</u>
Business-like activities				
Joint utilities	651,983	667,718	-	-
Total business-like activities	<u>651,983</u>	<u>667,718</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 1,817,290</u>	<u>728,739</u>	<u>281,268</u>	<u>203,802</u>

General Revenues

Property taxes  
Gross receipts taxes  
Motor vehicle and fuel taxes  
Other taxes  
Miscellaneous revenue  
Investment earnings

Total general revenues and transfers

Change in net assets

Beginning net assets

**Ending net assets**

*The Notes to the Financial Statements are an integral part of this statement.*

Net (Expense) Revenue and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(137,067)	-	(137,067)
	(376,192)	-	(376,192)
	(229,205)	-	(229,205)
	(56,386)	-	(56,386)
	181,484	-	181,484
	(1,850)	-	(1,850)
	(619,216)	-	(619,216)
	-	15,735	15,735
	-	15,735	15,735
	(619,216)	15,735	(603,481)
\$	14,066	-	14,066
	790,704	-	790,704
	47,423	-	47,423
	98,827	-	98,827
	1,825	-	1,825
	15,191	-	15,191
	968,036	-	968,036
	348,820	15,735	364,555
	4,635,529	2,496,224	7,131,753
\$	4,984,349	2,511,959	7,496,308

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General Fund	Capital Projects	Other Non-Major Funds	Total
<b>ASSETS</b>				
Current				
Cash and temporary investments	\$ 156,953	-	26,230	183,183
Due from other funds	32,190	7,381	1,834	41,405
Accounts receivable	165,767	-	38,034	203,801
Restricted				
Cash and temporary investments	1,140,435	-	-	1,140,435
<b>Total assets</b>	<b>\$ 1,495,345</b>	<b>7,381</b>	<b>66,098</b>	<b>1,568,824</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Current Liabilities				
Accounts payable	\$ 6,631	1,782	307	8,720
Accrued payroll	40,354	-	-	40,354
Due to other funds	9,215	-	32,190	41,405
Due to Joint Utility Fund	59,071	-	-	59,071
Long-Term Liabilities				
Due to business-type activities	144,989	-	-	144,989
<b>Total liabilities</b>	<b>260,260</b>	<b>1,782</b>	<b>32,497</b>	<b>294,539</b>
Fund Balance				
Nonspendable				
Meter deposits	21,425	-	-	21,425
Restricted				
Library	1,140,435	-	-	1,140,435
Special purposes	-	-	34,417	34,417
Capital Projects Fund	-	5,599	-	5,599
Future year expenditures	73,225	-	-	73,225
Unassigned	-	-	(816)	(816)
<b>Total fund balance</b>	<b>1,235,085</b>	<b>5,599</b>	<b>33,601</b>	<b>1,274,285</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,495,345</b>	<b>7,381</b>	<b>66,098</b>	<b>1,568,824</b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

<b>Total fund balance for the governmental fund (Balance Sheet)</b>	\$ 1,274,285
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,830,181
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(100,496)
Compensated absences	(19,621)
<b>Net assets of governmental activities (Statement of Net Assets)</b>	<u>\$ 4,984,349</u>

*The Notes to the Financial Statements are an integral part of this statement.*



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General Fund	Capital Projects	Non-Major Governmental Funds	Total
<b>Revenues</b>				
Other general	\$ 121,719	170,185	193,166	485,070
Fines and forfeits	37,116	-	-	37,116
Taxes	877,873	-	25,724	903,597
Licenses and permits	3,470	-	8,230	11,700
Charges for services	59,628	-	-	59,628
Interest	15,179	-	12	15,191
Miscellaneous	1,705	-	120	1,825
Meter	-	-	-	-
<b>Total revenues</b>	<b>1,116,690</b>	<b>170,185</b>	<b>227,252</b>	<b>1,514,127</b>
<b>Expenditures</b>				
Current:				
General government	433,299	-	8,097	441,396
Public safety	352,597	-	53,876	406,473
Culture and recreation	191,493	-	37,712	229,205
Health and welfare	56,388	-	8,853	65,241
Public works	23,348	-	1,193	24,541
Capital outlay	-	195,746	33,617	229,363
Debt service:				
Principal	12,537	-	46,478	59,015
Interest	159	-	1,691	1,850
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>1,069,821</b>	<b>195,746</b>	<b>191,517</b>	<b>1,457,084</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>46,869</b>	<b>(25,561)</b>	<b>35,735</b>	<b>57,043</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	36,314	25,561	186	62,061
Operating transfers out	(25,747)	-	(36,314)	(62,061)
Bond proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>10,567</b>	<b>25,561</b>	<b>(36,128)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>57,436</b>	<b>-</b>	<b>(393)</b>	<b>57,043</b>
Fund balance, beginning of year	1,177,649	5,599	33,994	1,217,242
<b>Fund balance - end of year</b>	<b>\$ 1,235,085</b>	<b>5,599</b>	<b>33,601</b>	<b>1,274,285</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**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  
Year Ended June 30, 2011**

<b>Net change in fund balance - Governmental Fund</b>	
<b>(Statement of Revenues, Expenditures and Changes in Fund Balance)</b>	<b>\$ 57,043</b>

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

Governmental funds capital outlays are reported 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	229,363
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to government 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, government 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:

Payment on long-term debt	59,015
Increase in accrued compensated absences	3,399
	<hr/>

<b>Change in net assets</b>	<b>\$ 348,820</b>
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*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 468,078	468,078	840,495	372,417
Intergovernmental	446,500	446,500	121,719	(324,781)
Licenses and fees	20,500	20,500	40,586	20,086
Charges for services	31,500	31,500	48,657	17,157
Investment income	100	100	15,179	15,079
Miscellaneous	53,250	53,250	1,705	(51,545)
<b>Total revenues</b>	<u>1,019,928</u>	<u>1,019,928</u>	<u>1,068,341</u>	<u>48,413</u>
Expenditures				
Current:				
General government	393,851	393,851	433,511	(39,660)
Public safety	335,977	335,977	353,216	(17,239)
Culture and recreation	180,550	180,550	193,675	(13,125)
Miscellaneous	125,377	125,377	79,688	45,689
<b>Total expenditures</b>	<u>1,035,755</u>	<u>1,035,755</u>	<u>1,060,090</u>	<u>(24,335)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(15,827)</u>	<u>(15,827)</u>	<u>8,251</u>	<u>24,078</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	36,314	(36,314)
Operating transfers out	(12,695)	(12,695)	(25,355)	(12,660)
<b>Total other financing sources (uses)</b>	<u>(12,695)</u>	<u>(12,695)</u>	<u>10,959</u>	<u>23,654</u>
<b>Net change in fund balance</b>	<u>(28,522)</u>	<u>(28,522)</u>	<u>19,210</u>	<u>47,732</u>
Fund balance, beginning of year	<u>(65,493)</u>	<u>(65,493)</u>	<u>(22,886)</u>	<u>42,607</u>
<b>Fund balance, end of year</b>	<u>\$ (94,015)</u>	<u>(94,015)</u>	<u>(3,676)</u>	<u>90,339</u>
Prior year fund balance required to balance budget	<u>\$ 94,015</u>	<u>94,015</u>		
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 1,068,341	
Changes in accounts receivable			48,349	
Revenues, GAAP basis			<u>\$ 1,116,690</u>	
Expenses, budgetary basis			\$ 1,060,090	
Changes in accounts payable			(4,530)	
Changes in accrued liabilities			14,261	
Expenses, GAAP basis			<u>\$ 1,069,821</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS - JOINT UTILITY FUND  
June 30, 2011**

**ASSETS**

Current Assets

Due from governmental funds	\$ 59,071
Receivables	59,269
<b>Total current assets</b>	<u>118,340</u>

Noncurrent Assets

Internal balances	144,989
Capital assets	4,376,559
Less accumulated depreciation	<u>(1,742,706)</u>
<b>Total capital assets</b>	<u>2,778,842</u>

<b>Total assets</b>	<u>\$ 2,897,182</u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities

Due to other funds	\$ -
Accounts payable	8,114
Accrued payroll	4,642
Accrued compensated absences	7,479
Current portion of long-term obligations	<u>84,910</u>
<b>Total current liabilities</b>	105,145

Long-term Liabilities

Noncurrent portion of long-term obligations	280,078
<b>Total liabilities</b>	<u>385,223</u>

**NET ASSETS**

Invested in capital assets, net of related debt	2,268,865
Unrestricted	<u>243,094</u>
<b>Total net assets</b>	<u>2,511,959</u>

<b>Total liabilities and net assets</b>	<u>\$ 2,897,182</u>
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*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS - JOINT UTILITY FUND  
Year Ended June 30, 2011

Operating Revenues	
Charges for services	\$ 667,718
Miscellaneous revenue	-
	<hr/>
<b>Total operating revenues</b>	<b>667,718</b>
	<hr/>
Operating Expenses	
Salaries	205,264
Travel	1,828
Supplies	37,345
Depreciation	121,091
Solid waste removal	128,404
Other operating expenses	158,051
	<hr/>
<b>Total operating expenses</b>	<b>651,983</b>
	<hr/>
<b>Operating income</b>	<b>15,735</b>
	<hr/>
Nonoperating Revenues (Expenses)	
Transfers In	-
	<hr/>
<b>Total nonoperating revenues</b>	<b>-</b>
	<hr/>
<b>Change in net assets</b>	<b>15,735</b>
	<hr/>
Total net assets - beginning	2,496,224
	<hr/>
<b>Total net assets - ending</b>	<b>\$ 2,511,959</b>
	<hr/> <hr/>

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - JOINT UTILITY  
Year Ended June 30, 2011**

Cash Flows From Operating Activities	
Cash received from customers	\$ 668,526
Cash paid to suppliers and employees	<u>(547,282)</u>
<b>Net cash provided by operating activities</b>	<u>121,244</u>
Cash Flows From Capital and Related Financing Activities	
Principal payments on debt	<u>(83,890)</u>
<b>Net cash used by capital and related financing activities</b>	<u>(83,890)</u>
<b>Net increase in cash and cash equivalents</b>	37,354
Cash and cash equivalents, beginning of year	<u>21,717</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 59,071</u></u>
<b>Reconciliation of Operating Income and Net Cash     Provided by Operating Activities</b>	
Operating income	\$ 15,735
Adjustments to reconcile operating income to net cash by operating activities	
Depreciation	121,091
Change in assets and liabilities	
Accounts receivable	(3,622)
Accounts payable	(9,553)
Accrued liabilities	(20)
Accrued compensated absences	<u>(2,387)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 121,244</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its 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 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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 tax 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 Activities and Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, 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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

Government 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 the 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 accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *Agency Funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Town holds for others in an agency capacity. The Town had no agency funds as of June 30, 2011.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

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

The *General Fund* is the 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:

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 *Capital Projects Fund* is used to account for proceeds from the New Mexico Department of Transportation for the road improvement project.

The government reports its proprietary fund as a major fund.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

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.

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 include 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 nonoperating 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 nonoperating revenues and expenses.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 same as the fair value of the pool shares.

**Restricted Cash.** Restricted cash is related to donor and debt service restrictions. The balance of restricted cash for the year ended June 30, 2011 was \$1,140,435 of which \$1,000,000 was received in fiscal year 2009 as a contribution for library improvements and expansion.

**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.

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 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 10<sup>th</sup> and April 10<sup>th</sup>. 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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

*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, 2011.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Plant in service	40
Permanent buildings	30
Land improvements	20
Vehicles	3
Computer equipment	5
Other furniture and equipment	5-30



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**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.

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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Government-Wide Financial Statements Net Assets:** The governmental activities and business-type activities in the government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

*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.”

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

**Fund Financial Statements Fund Balance:** The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable* - includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.
2. *Restricted* - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

3. *Committed* - fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.
4. *Assigned* - fund balance classification intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has reviewed each of the classifications and has determined that the fund balance is restricted for all balances in the capital projects and special revenue funds due to either legislation or grantor requirements. There are no committed or assigned fund balances as of June 30, 2011.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

***Interfund Transactions:*** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute any 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 the 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.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**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. The Town has the following unbudgeted funds:

William Library  
Garnett Library

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure the 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 expenditures, not as an excess or deficiency of revenues over expenditures.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**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, 2011.

Deposits of funds may be made in interest or noninterest-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 nondemand 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 reported on page 59 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 (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance by the FDIC.

**Deposits**

New Mexico 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 at least one half of the amount on deposit with the institution.

A schedule of deposits and the collateral pledged against the deposits of the Town are shown on pages 58 - 59 of this report.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**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, 2011, \$67,025 of the Town's bank balance of \$1,311,172 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.

**Investments**

As of June 30, 2011, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less than One Year
State Investment Pool	\$ 55,000	\$ 55,000

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, 2011. The State of New Mexico is regulatory oversight entity and participation in the pool is 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, 2011, the Town's investment of New MexiGROW LGIP had a credit risk of AAAM, value of \$55,000 and a 36-day WAM.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

**Reconciliation of Cash and Temporary Investments**

Cash and temporary investments – Statement of Net Assets	\$ 183,183
Restricted cash – Statement of Net Assets	1,140,435
Less investments in State Investment Pool	<u>(55,000)</u>
	1,268,618
Add outstanding checks (subtract deposits in transit)	<u>42,554</u>
Bank balance of deposits and repurchase agreements	<u>\$ 1,311,172</u>

**Reconciliation of General Fund Cash and Equivalents**

Total reconciled cash and temporary investments – General Fund	\$ 156,953
Plus cash due from other funds	32,190
Less cash due to other funds	<u>(68,286)</u>
Unrestricted cash – General Fund	<u>\$ 120,857</u>

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2011, are as follows:

	<u>Governmental</u>		<u>Business-Type</u>	Total
	Major	Non-major	Joint Utility	
Taxes	\$ 165,767	6,353	-	172,120
Grants	-	31,681	-	31,681
Customers	-	-	59,269	<u>59,269</u>
Net receivables	<u>\$ 165,767</u>	<u>38,034</u>	<u>59,269</u>	<u>263,070</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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Receivables and payables from interfund transactions as of June 30, 2011 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.

	Interfund Receivables	Interfund Payables
Governmental activities:		
Major funds:		
General Fund	\$ 32,190	68,286
General Fund – long term	-	144,989
Capital projects	7,381	-
Non-major funds:		
Correction	1,832	-
EMS	2	-
Intergovernmental grants	-	816
Other/trolley	-	31,374
	<u>41,405</u>	<u>245,465</u>
Business-type activities	59,071	-
Business-type activities – long term	<u>144,989</u>	-
<b>Total</b>	<u>\$ 245,465</u>	<u>245,465</u>

The following transfers occurred during the year. These transfers served the following purposes: (a) close out grant funds which had deficit fund balances, (b) subsidize General Fund allowable costs with grant funds or taxes; and (c) transfer the required matching funds to grant funds.

Fund	To	Amount
Major Fund		
General Fund	Capital Projects	\$ 25,561
General Fund	DWI Fund	\$ 186
Non-major Fund		
Gas Tax	General Fund	\$ 25,355
Recreation	General Fund	\$ 1,461
Intergovernmental grants	General Fund	\$ 4,886
Garnett Library	General Fund	\$ 4,612



**STATE OF NEW MEXICO**  
**TOWN OF ESTANCIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation. The Town does not maintain capital asset records.

**Governmental Activities**

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Construction in progress	\$ -	25,561	-	25,561
General capital assets	3,600,818	203,802	-	3,804,620
Total	<u>\$ 3,600,818</u>	<u>229,363</u>	<u>-</u>	<u>3,830,181</u>

**Business-like Activities**

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Capital assets used in business-like activities:				
Depreciable assets:				
Buildings	\$ 206,200	-	-	206,200
Equipment	249,969	-	-	249,969
Vehicles	53,226	-	-	53,226
Plant in service	2,689,848	-	-	2,689,848
Nondepreciable assets:				
Land and improvements	<u>1,177,316</u>	<u>-</u>	<u>-</u>	<u>1,177,316</u>
Total	<u>4,376,559</u>	<u>-</u>	<u>-</u>	<u>4,376,559</u>
Less accumulated depreciation:				
Buildings	70,862	5,155	-	76,017
Equipment	237,862	35,710	-	273,572
Vehicles	63,193	10,104	-	73,297
Plant in service	<u>1,249,698</u>	<u>70,122</u>	<u>-</u>	<u>1,319,820</u>
Total	<u>1,621,615</u>	<u>121,091</u>	<u>-</u>	<u>1,742,706</u>
<b>Net capital assets</b>	<u>\$ 2,754,944</u>	<u>(121,091)</u>	<u>-</u>	<u>2,633,853</u>

Depreciation expense relating to business-type activities for the year ended June 30, 2011 totaled \$121,091.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 7. LONG-TERM DEBT**

During the year ended June 30, 2011, the following changes occurred in the long-term debt:

	Balance 6/30/10	Additions & Adjustments	Retirements & Adjustments	Balance 6/30/11	Due Within One Year
<b>Governmental Activities</b>					
NMFA Fire Pumper	\$ 66,781	-	31,042	35,739	21,852
NMFA Library Renovation	62,999	-	12,537	50,462	12,568
USDA Police Vehicle & Equip	29,731	-	15,436	14,295	7,267
Compensated absences	23,020	19,621	23,020	19,621	19,621
Total governmental	182,531	19,621	82,035	120,117	61,308
<b>Business-Type Activities</b>					
NMED Rural Infrastructure Program	87,234	-	3,833	83,401	3,948
NMED Wastewater Plant	225,000	-	45,000	180,000	45,000
WFB Utility Shop Bldg	47,256	-	20,760	26,496	21,388
NMFA Road Grader	89,388	-	14,297	75,091	14,574
Compensated absences	9,866	7,479	9,866	7,479	7,479
Total business-type	458,744	7,479	93,756	372,467	92,389
<b>Total long-term debt</b>	<b>\$ 641,275</b>	<b>27,100</b>	<b>175,791</b>	<b>492,584</b>	<b>153,697</b>

As of June 30, 2011, the annual requirements to amortize all governmental loans payable outstanding, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 41,687	1,997	43,684
2013	33,515	1,196	34,711
2014	12,631	-	12,631
2015	12,663	-	12,663
<b>Total</b>	<b>\$ 100,496</b>	<b>3,193</b>	<b>103,689</b>

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

As of June 30, 2011, the annual requirements to amortize all business-type loans payable outstanding, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 84,910	5,111	90,021
2013	69,039	3,864	72,903
2014	64,356	3,407	67,763
2015	64,800	3,001	67,801
2016	19,443	2,576	22,019
2017-2021	24,300	9,308	33,608
2022-2026	28,170	5,437	33,607
2027-2029	9,970	760	10,730
<b>Total</b>	<u>\$ 364,988</u>	<u>33,464</u>	<u>398,452</u>

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

*Compensated Absences* – Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences decreased \$3,399 in the governmental funds and decreased \$2,387 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.

The 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.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**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, 2011:

Non-major Funds		
Intergovernmental Fund	\$	816

B. Excess of expenditures over appropriations

The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

Major Funds		
General Fund	\$	24,335
Non-major Funds		
Gas Tax Fund	\$	1,193
DWI Fund	\$	1,016

**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. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*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 the 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 years ended June 30, 2011, 2010, 2009 were \$76,165, \$70,164, and \$65,139, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The Town contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan, and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% of their salary.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees who are not members of an enhanced retirement plan will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary.

For employees who are members of an enhanced retirement plan (police), the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Employers joining the program after January 1, 1998 are also required to make a surplus amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$10,224, \$6,996, and \$6,232, respectively, which equal the required contributions for each year.

**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.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	840,841	826,236	316,071	(510,165)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>840,841</b>	<b>826,236</b>	<b>316,071</b>	<b>(510,165)</b>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	840,481	826,236	337,935	488,301
<b>Total expenditures</b>	<b>840,481</b>	<b>826,236</b>	<b>337,935</b>	<b>488,301</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>360</b>	<b>-</b>	<b>(21,864)</b>	<b>(21,864)</b>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	25,561	25,561
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>25,561</b>	<b>25,561</b>
<b>Net change in fund balance</b>	<b>360</b>	<b>-</b>	<b>3,697</b>	<b>3,697</b>
Fund balance - beginning of year	8,085	12,037	(98,810)	(110,847)
<b>Fund balance - end of year</b>	<b>\$ 8,445</b>	<b>12,037</b>	<b>(95,113)</b>	<b>(107,150)</b>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 316,071	
Changes in accounts receivable			(145,886)	
Revenues, GAAP basis			<u>\$ 170,185</u>	
Expenses, budgetary basis			\$ 337,935	
Change in accounts payable			(142,189)	
Expenses, GAAP basis			<u>\$ 195,746</u>	

*The Notes to the Financial Statements are an integral part of this statement.*



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JOINT UTILITIES ENTERPRISE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Operating Revenues				
Charges for services	\$ 604,000	654,000	664,096	10,096
<b>Total operating revenues</b>	<b>604,000</b>	<b>654,000</b>	<b>664,096</b>	<b>10,096</b>
Operating Expenses				
Salaries	229,859	229,859	207,671	22,188
Travel	2,000	2,000	1,828	172
Supplies	33,000	33,000	37,797	(4,797)
Contract services	139,000	139,000	133,950	17,909
Capital outlay	-	-	-	-
Principal and interest payments	93,614	93,614	90,009	3,605
Other operating expenses	111,550	131,550	155,487	(23,937)
<b>Total operating expenses</b>	<b>609,023</b>	<b>629,023</b>	<b>626,742</b>	<b>15,140</b>
<b>Operating income (loss)</b>	<b>(5,023)</b>	<b>24,977</b>	<b>37,354</b>	<b>12,377</b>
Nonoperating Revenues (Expenses)				
Interest expense	-	-	-	-
Inter-governmental grant	-	-	-	-
Transfers (out)/in	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(5,023)</b>	<b>24,977</b>	<b>37,354</b>	<b>12,377</b>
Total net assets - beginning	376,293	357,343	279,452	(77,891)
<b>Total net assets - ending</b>	<b>\$ 371,270</b>	<b>382,320</b>	<b>316,806</b>	<b>(65,514)</b>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 664,096	
Change in accounts receivable			3,622	
Revenues, GAAP basis			<u>\$ 667,718</u>	
Expenses, budgetary basis			\$ 626,742	
Change in accounts payable			(9,553)	
Change in accrued expenses			(2,407)	
Depreciation is expensed, but not budgeted			121,091	
Debt service that is not expensed, but budgeted			(83,890)	
Expenses, GAAP basis			<u>\$ 651,983</u>	

The Notes to the Financial Statements are an integral part of this statement.

**NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

**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 operation of a motor vehicle. Authority: NMSA 33-0-33.

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

**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.

**Law Enforcement Protection Fund** - To account for revenue 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.

**Gas Tax Fund** - To account for the receipts of the state-wide increase of two cents per gallon of gasoline tax, which one cent is redistributed to municipalities for highway and street maintenance. Authority: NMSA 7-1-6.91 and 7-13-1 to 7-13-18.

**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.

**Intergovernmental Grants** – To account for grant funds received from state sources for various Town projects. Authority: NM State Department of Finance and Administration.

**DWI** – To account for grant funds received from state sources for DWI related issues and awareness. Authority: NM State Department of Finance and Administration.

**Other/Trolley Fund** - To account for revenues and expenditures of trolley maintenance and repairs and initial cost of gas station. Authority: Village Council action.

**Williams Library** - 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.

**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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue Funds				
	Correction Fees	EMS	Fire Protection	Law Enforcement Protection	Gas Tax
<b>ASSETS</b>					
Current					
Cash and temporary investments	\$ -	-	-	-	-
Due from other funds	1,832	2	-	-	-
Accounts receivable	-	-	-	-	6,353
Restricted					
Cash and temporary investments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,832</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>6,353</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Current Liabilities					
Due to other funds	\$ -	-	-	-	-
Accounts payable	-	-	-	-	-
Interfund balances	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Deferred revenue - property taxes	-	-	-	-	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balance					
Restricted					
Special purposes	1,832	2	-	-	6,353
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>1,832</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>6,353</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,832</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>6,353</b>

*The Notes to the Financial Statements are an integral part of this statement.*

Special Revenue Funds

Recreation	Inter-Governmental Grant	DWI	Other/Trolley	Williams Library	Garnett Library	Total Special Revenue Funds	Non-Major Total
-	-	-	-	13,187	13,043	26,230	26,230
-	-	-	-	-	-	1,834	1,834
-	-	-	31,681	-	-	38,034	38,034
-	-	-	-	-	-	-	-
-	-	-	31,681	13,187	13,043	66,098	66,098
-	816	-	31,374	-	-	32,190	32,190
-	-	-	307	-	-	307	307
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	816	-	31,681	-	-	32,497	32,497
-	-	-	-	13,187	13,043	34,417	34,417
-	(816)	-	-	-	-	-	(816)
-	(816)	-	-	13,187	13,043	34,417	33,601
-	-	-	31,681	13,187	13,043	66,914	66,098

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	Special Revenue Funds				
	Correction		Fire	Law	
	Fees	EMS	Protection	Enforcement	Gas Tax
Revenues					
Taxes	\$ -	-	-	-	25,724
Intergovernmental	-	8,855	71,522	23,000	33,617
Licenses and fees	8,230	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>8,230</b>	<b>8,855</b>	<b>71,522</b>	<b>23,000</b>	<b>59,341</b>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	6,398	-	34,925	6,260	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	8,853	-	-	-
Public works	-	-	-	-	1,193
Capital outlay	-	-	-	-	33,617
Debt service:					
Principal	-	-	31,042	15,436	-
Interest	-	-	387	1,304	-
Bond issuance costs	-	-	-	-	-
<b>Total expenditures</b>	<b>6,398</b>	<b>8,853</b>	<b>66,354</b>	<b>23,000</b>	<b>34,810</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,832</b>	<b>2</b>	<b>5,168</b>	<b>-</b>	<b>24,531</b>
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	(25,355)
Bond proceeds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,355)</b>
<b>Net change in fund balance</b>	<b>1,832</b>	<b>2</b>	<b>5,168</b>	<b>-</b>	<b>(824)</b>
Fund balance - beginning of year	-	-	(5,168)	-	7,177
<b>Fund balance - end of year</b>	<b>\$ 1,832</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>6,353</b>

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue Funds

	Recreation	Inter-Governmental Grant	DWI	Other/Trolley	Williams Library	Garnett Library	Total Special Revenue Funds	Non-Major Funds
\$	-	-	-	-	-	-	25,724	25,724
	-	10,101	6,293	39,778	-	-	193,166	193,166
	-	-	-	-	-	-	8,230	8,230
	-	-	-	-	-	-	-	-
	-	-	-	-	5	7	12	12
	-	-	-	-	-	120	120	120
	-	10,101	6,293	39,778	5	127	227,252	227,252
	-	-	-	8,097	-	-	8,097	8,097
	-	-	6,293	-	-	-	53,876	53,876
	-	6,031	-	31,681	-	-	37,712	37,712
	-	-	-	-	-	-	8,853	8,853
	-	-	-	-	-	-	1,193	1,193
	-	-	-	-	-	-	33,617	33,617
	-	-	-	-	-	-	46,478	46,478
	-	-	-	-	-	-	1,691	1,691
	-	-	-	-	-	-	-	-
	-	6,031	6,293	39,778	-	-	191,517	191,517
	-	4,070	-	-	5	127	35,735	35,735
	-	-	186	-	-	-	186	186
	(1,461)	(4,886)	-	-	-	(4,612)	(36,314)	(36,314)
	-	-	-	-	-	-	-	-
	(1,461)	(4,886)	186	-	-	(4,612)	(36,128)	(36,128)
	(1,461)	(816)	186	-	5	(4,485)	(393)	(393)
	1,461	-	(186)	-	13,182	17,528	33,994	33,994
	-	(816)	-	-	13,187	13,043	33,601	33,601

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
CORRECTION FEES SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	-	-	-	-
Licenses and fees	7,400	7,400	8,230	830
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>7,400</b>	<b>7,400</b>	<b>8,230</b>	<b>830</b>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	7,400	7,400	6,398	1,002
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total expenditures</b>	<b>7,400</b>	<b>7,400</b>	<b>6,398</b>	<b>1,002</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>1,832</b>	<b>1,832</b>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>1,832</b>	<b>1,832</b>
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>-</b>	<b>1,832</b>	<b>1,832</b>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 8,230	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 8,230</u>	
Expenses, budgetary basis			\$ 6,398	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 6,398</u>	

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
EMS SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	9,182	8,855	8,855	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>9,182</u>	<u>8,855</u>	<u>8,855</u>	<u>-</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	9,182	8,855	8,853	2
Public works	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total expenditures</b>	<u>9,182</u>	<u>8,855</u>	<u>8,853</u>	<u>2</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>-</u>	<u>2</u>	<u>2</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 8,855	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 8,855</u>	
Expenses, budgetary basis			\$ 8,853	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 8,853</u>	

The Notes to the Financial Statements are an integral part of this statement.



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FIRE PROTECTION SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	71,522	76,115	71,522	(4,593)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>71,522</u>	<u>76,115</u>	<u>71,522</u>	<u>(4,593)</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	48,593	53,186	40,093	13,093
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	22,929	22,929	31,429	(8,500)
<b>Total expenditures</b>	<u>71,522</u>	<u>76,115</u>	<u>71,522</u>	<u>4,593</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning of year	420	420	-	(420)
<b>Fund balance - end of year</b>	<u>\$ 420</u>	<u>420</u>	<u>-</u>	<u>(420)</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 71,522	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 71,522</u>	
Expenses, budgetary basis			\$ 71,522	
Changes in accounts payable			(5,168)	
Expenses, GAAP basis			<u>\$ 66,354</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	23,000	23,000	23,000	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	6,260	6,260	6,260	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	16,740	16,740	16,740	-
<b>Total expenditures</b>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	-	-	-
Loan proceeds	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-	-
Fund balance - beginning of year	<u>28</u>	<u>28</u>	<u>-</u>	<u>(28)</u>
<b>Fund balance - end of year</b>	<u>\$ 28</u>	<u>28</u>	<u>-</u>	<u>(28)</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 23,000	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 23,000</u>	
Expenses, budgetary basis			\$ 23,000	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 23,000</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GAS TAX SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 24,000	24,000	26,548	2,548
Intergovernmental	33,617	33,617	33,617	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>57,617</u>	<u>57,617</u>	<u>60,165</u>	<u>2,548</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	1,193	1,193	1,193	-
Capital outlay	32,424	32,424	33,617	(1,193)
<b>Total expenditures</b>	<u>33,617</u>	<u>33,617</u>	<u>34,810</u>	<u>(1,193)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>24,000</u>	<u>24,000</u>	<u>25,355</u>	<u>1,355</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	(24,000)	(24,000)	(25,355)	(1,355)
Original issue premiums	-	-	-	-
Original issue discounts	-	-	-	-
Bond proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(24,000)</u>	<u>(24,000)</u>	<u>(25,355)</u>	<u>(1,355)</u>
<b>Net change in fund balance</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 60,165	
Changes in accounts receivable			(824)	
Revenues, GAAP basis			<u>\$ 59,341</u>	
Expenses, budgetary basis			\$ 34,810	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 34,810</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
RECREATION SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	(1,461)	(1,461)
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(1,461)</u>	<u>(1,461)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(1,461)</u>	<u>(1,461)</u>
Fund balance - beginning of year	<u>1,461</u>	<u>1,461</u>	<u>1,461</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 1,461</u>	<u>1,461</u>	<u>-</u>	<u>(1,461)</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ -	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ -</u>	
Expenses, budgetary basis			\$ -	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ -</u>	

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	12,863	21,516	10,917	(10,599)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>12,863</u>	<u>28,220</u>	<u>10,917</u>	<u>(10,599)</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	12,047	20,700	6,031	14,669
Health and welfare	-	-	-	-
Public works	-	-	-	-
<b>Total expenditures</b>	<u>12,047</u>	<u>20,700</u>	<u>6,031</u>	<u>14,669</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>816</u>	<u>7,520</u>	<u>4,886</u>	<u>(2,634)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	(4,886)	(4,886)
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(4,886)</u>	<u>(4,886)</u>
<b>Net change in fund balances</b>	816	7,520	-	(7,520)
Fund balance - beginning of year	<u>9,499</u>	<u>6,255</u>	<u>(816)</u>	<u>(7,071)</u>
<b>Fund balance - end of year</b>	<u>\$ 10,315</u>	<u>13,775</u>	<u>(816)</u>	<u>(14,591)</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 10,917	
Changes in accounts receivable			(816)	
Revenues, GAAP basis			<u>\$ 10,101</u>	
Expenses, budgetary basis			\$ 6,031	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 6,031</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
DWI SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	1,244	5,277	6,293	1,016
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>1,244</u>	<u>5,277</u>	<u>6,293</u>	<u>1,016</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	1,244	5,277	6,293	(1,016)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
<b>Total expenditures</b>	<u>1,244</u>	<u>5,277</u>	<u>6,293</u>	<u>(1,016)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	186	186
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
Fund balance - beginning of year	<u>-</u>	<u>1,543</u>	<u>(186)</u>	<u>(1,729)</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>1,543</u>	<u>-</u>	<u>(1,543)</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 6,293	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 6,293</u>	
Expenses, budgetary basis			\$ 6,293	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 6,293</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
TROLLY/OTHER SPECIAL REVENUE FUND  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ -	-	-	-
Intergovernmental	1,750	103,055	8,847	(94,208)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>1,750</u>	<u>103,055</u>	<u>8,847</u>	<u>(94,208)</u>
Expenditures				
Current:				
General government	1,000	8,727	8,097	630
Public safety	-	-	-	-
Culture and recreation	-	93,578	31,374	62,204
Health and welfare	-	-	-	-
Public works	-	-	-	-
<b>Total expenditures</b>	<u>1,000</u>	<u>102,305</u>	<u>39,471</u>	<u>62,834</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>750</u>	<u>750</u>	<u>(30,624)</u>	<u>(31,374)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	750	750	(30,624)	(31,374)
Fund balance - beginning of year	<u>(65,855)</u>	<u>(6,622)</u>	<u>(750)</u>	<u>5,872</u>
<b>Fund balance - end of year</b>	<u>\$ (65,105)</u>	<u>(5,872)</u>	<u>(31,374)</u>	<u>(25,502)</u>
Prior year fund balance required to balance budget	<u>\$ 65,105</u>	<u>5,872</u>		
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 8,847	
Changes in accounts receivable			<u>30,931</u>	
Revenues, GAAP basis			<u>\$ 39,778</u>	
Expenses, budgetary basis			\$ 39,471	
Changes in accounts payable			307	
Changes in accrued liabilities			-	
Expenses, GAAP basis			<u>\$ 39,778</u>	

*The Notes to the Financial Statements are an integral part of this statement.*

## **SUPPORTING SCHEDULES**



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
June 30, 2011

<u>Bank Account Type/Name</u>	Wells Fargo Bank	Bank of Albuquerque	NM State Investment Pool	State Employees Credit Union	My Bank	US Bank	Totals
Williams Memorial Savings	\$ 13,187	-	-	-	-	-	13,187
Meter Deposits	21,425	-	-	-	-	-	21,425
Town of Estancia Investment Account	13,043	-	-	-	-	-	13,043
Investment Account	156,601	-	-	-	-	-	156,601
Payroll Account	12,775	-	-	-	-	-	12,775
Savings Account	-	-	-	30,127	-	-	30,127
Debt Service Reserve Funds	-	12,990	-	-	-	-	12,990
Debt Service Reserve Funds	-	14,774	-	-	-	-	14,774
Debt Service Reserve Funds	-	12,536	-	-	-	-	12,536
NM State Investment Pool	-	-	55,000	-	-	-	55,000
Certificate of Deposit	2,502	-	-	-	-	-	2,502
Certificate of Deposit	250,952	-	-	260,086	254,784	255,387	1,021,209
<b>Total on deposit</b>	<b>470,485</b>	<b>40,300</b>	<b>55,000</b>	<b>290,213</b>	<b>254,784</b>	<b>255,387</b>	<b>1,366,169</b>
Reconciling items	(42,551)	-	-	-	-	-	(42,551)
<b>Reconciled balance, June 30, 2011</b>	<b>\$ 427,934</b>	<b>40,300</b>	<b>55,000</b>	<b>290,213</b>	<b>254,784</b>	<b>255,387</b>	<b>1,323,618</b>
Petty Cash							-
<b>Combined balance sheet total June 30, 2011</b>							<b>\$ 1,323,618</b>

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2011**

	Wells Fargo Bank	Bank of Albuquerque	State Employees Credit Union	My Bank	US Bank
Total on deposit	\$ 470,485	40,300	290,213	254,784	255,387
Less: FDIC coverage	(453,844)	(40,300)	(250,000)	(250,000)	(250,000)
Uninsured balance, June 30, 2011	16,641	-	40,213	4,784	5,387
50% pledged collateral at June 30, 2011	8,321	-	20,107	2,392	2,694
Pledged collateral security description:					
Fed Natl mtg Assn Pool 986245, CUSIP # 31415QTA4, matures 7/1/2038, \$130,000, MN	36,795	-	-	-	-
Fed Natl mtg Assn Pool 865461, CUSIP # 31409AQN2, matures 2/1/2036, \$60,000, MN	17,365	-	-	-	-
Fed Natl mtg Assn Pool 986519, CUSIP # 31415Q4C7, matures 6/1/2038, \$40,000, MN	19,340	-	-	-	-
Luna Cnty NM Sch Dist CUSIP # 550340DL4, matures 8/1/2016, \$25,000	-	-	-	27,536	-
Southern Sandoval NM Arroyo Flood, CUSIP # 843789DZ8, matures 8/1/2020, \$25,000	-	-	-	-	25,000
Total	73,500	-	-	27,536	25,000
<b>Over (Under) Collateralized</b>	<b>\$ 65,180</b>	<b>-</b>	<b>(20,107)</b>	<b>25,144</b>	<b>22,307</b>

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF JOINT POWERS  
June 30, 2011

Participants	Party Responsible for Operations	Description	Beginning and 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

<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

## **COMPLIANCE SECTION**

# Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS  
6200 UPTOWN BLVD. NE - SUITE 400  
ALBUQUERQUE, NM 87110

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information and budgetary comparisons of the Town of Estancia, New Mexico, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. 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

Management of the Town of Estancia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Estancia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. Items 05-01, 07-03 and 07-05.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16 and pursuant to Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as items 05-05, 09-02, 09-03, 11-01 and 11-02.

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

This report is intended solely for the information and use of management, others within the Town, Office of the State Auditor, New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Ricci & Company LLC*

Albuquerque, New Mexico  
November 9, 2011

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SUMMARY OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**A. STATUS OF PRIOR YEAR FINDINGS**

FS 05-01	Capital Assets	Updated and Included
FS 05-05	Budget Deficits	Updated and Included
FS 06-02	Cash Disbursements, Purchase Orders and Requisitions	Resolved
FS 07-03	SAS 115 Compliance (Updated to SAS 115)	Updated and Included
FS 07-05	Trial Balance	Updated and Included
FS 09-01	Checks Used Out of Sequence	Resolved
FS 09-02	Use of Fuel Cards	Updated and Included
FS 09-03	Pledged Collateral	Updated and Included



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**05-01 Capital Assets – Material Weakness**

**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 historical cost of \$5,000 (\$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 is unable to determine a historical cost for its buildings and land.

**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 regulations.

**RECOMMENDATION**

The Town should begin the process of inventorying all its capital assets, including newly developed infrastructure. Upon determining a complete capital assets listing, depreciation should be calculated.

**MANAGEMENT RESPONSE**

The Town Clerk and Mayor have attended an asset management course to find options on how to begin to set up a system that will accurately track the Town of Estancia's assets.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-03 SAS 115 Compliance – Material Weakness**

**CRITERIA**

Statement on Auditing Standards (SAS) 115, Communication of Internal Control Related Matters Identified in an Audit, required that management clearly accept responsibility for the internal controls over financial reporting.

**CONDITION**

The Town maintains its records on a cash basis. Although this is the best approach for monitoring the budgets, significant adjustments were required to be made to the records for a GAAP presentation. The significant adjustments include:

- Grant expenditures incurred and the related grant revenues were either not recorded, were included in the wrong fund, or were recorded in expense accounts.
- Debt service payments were posted to two different expense accounts.

**CAUSE**

The Town has determined that, due to its size and complexity, it is most effective and beneficial to maintain ledgers on a basis consistent with its budgetary basis.

**EFFECT**

The Town does not have financial information readily available that is consistent with GAAP requirements.

**RECOMMENDATION**

The Town should continue to improve its knowledge of GAAP and when necessary, utilize consultants.

**MANAGEMENT RESPONSE**

The Town will work to improve its controls related to financial reporting and work to book transactions consistently. In addition, the Town will work to identify unique transactions and maintain adequate back up documentation related to such transactions.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-05 Trial Balances – Material Weakness**

**CRITERIA**

Good accounting practices dictate that the Town's books should be maintained in such a way that a general ledger balances by fund.

**CONDITION**

The Town utilizes Quickbooks for its accounting software. Quickbooks is set up in a manner that is similar to a for profit enterprise and therefore, fund level trial balances are unable to be produced.

**CAUSE**

The initial set up of Quickbooks was in a manner more similar to a for profit enterprise than a governmental entity. The Town has determined that, due to its size and complexity, it is most effective and beneficial to maintain ledgers on a basis consistent with its budgetary basis.

**EFFECT**

The Town does not have an accurate day-to-day general ledger that allows them to make timely decisions based on sound financial information. Ultimately, this makes daily analysis difficult to complete.

**RECOMMENDATION**

The Town can either change accounting software or make changes to the current Quickbooks file so that all transactions are recorded in one file at the fund level and ensure each fund is self balancing.

**MANAGEMENT RESPONSE**

The Town cannot afford new accounting software and the goal is to record funds correctly to ensure that each fund is self balancing.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**09-02 Use of Fuel Cards – Other**

**CRITERIA**

For credit card transactions, the Town should be matching all activity with actual receipts. In addition, for fuel purchases, fuel logs should be maintained for every vehicle.

**CONDITION**

It was noted that individuals are required to submit receipts for gas purchases; however, those receipts are not being reconciled/matched to the gas purchase statements. Also, the Town does not maintain fuel logs for its vehicles.

**CAUSE**

Due to its fleet size, the Town has never emphasized the need for tracking fuel costs.

**EFFECT**

Unauthorized purchases can go undetected since actual receipts are not reconciled to statements and fuel logs are not maintained.

**RECOMMENDATION**

The Town should reconcile all receipts to the statements. In addition, the Town should start maintaining fuel logs for each vehicle and reconcile the logs to actual purchases. The fuel log can also be utilized for maintenance purposes.

**MANAGEMENT RESPONSE**

The Town does work to match receipts to billing statements but does not currently require fuel logs to be maintained by employees. The Town will work to have vehicle logs for each vehicle.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**11-01 Credit Card Receipts – Other**

**CRITERIA**

Good accounting practices suggest that all disbursements be supported by documentation that the goods or services have been received, for example a receipt for credit card purchases.

**CONDITION**

During our testwork of credit card transactions, we noted the following:

- In 1 of 5 tested, we noted that there were no receipts to support \$1,481 of purchases. However, a purchase request and purchase order was attached to the credit card statement that shows the purchase was approved.

**CAUSE**

The Town has not followed their policies and procedures regarding purchasing.

**EFFECT**

Inconsistency in applying or following internal policies can lead to improper purchases.

**RECOMMENDATION**

The Town needs to continue to place additional emphasis on the importance of always following every policy and procedure the Town has in place.

**MANAGEMENT RESPONSE**

The Town will continue to stress the importance of following purchasing policies including purchases made on-line.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**C. FINDINGS – COMPLIANCE AND OTHER MATTERS**

**05-05 Budget Deficits - Other**

**CRITERIA**

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

**CONDITION**

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

General Fund	\$ 24,335
Gas Tax Fund	\$ 1,193
DWI Fund	\$ 1,016

**CAUSE**

Revenues from gas taxes exceeded the budgeted amount. The expenditures in the fund were spent to match the revenues and a corresponding year end budget adjustment was not made.

**EFFECT**

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

**RECOMMENDATION**

We recommend that management implement procedures to prevent budget over expenditures.

**MANAGEMENT RESPONSE**

The Town will work to monitor budgets more closely and make adjustments when necessary before expenditures are incurred.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**C. FINDINGS – COMPLIANCE AND OTHER MATERS**

**09-03 Pledged Collateral – Other**

**CRITERIA**

NMAC 2.2.2.10 N. (5)(b) requires entities to obtain pledged collateral from depository institutions for at least 50% of its uninsured balances.

**CONDITION**

The Town has \$290,213 of total savings accounts deposits at the New Mexico State Employees Credit Union (NMSECU), which exceeds FDIC insurance limits by \$40,213. The NMSECU does not provide pledged collateral to the Town.

**CAUSE**

The Town has determined that the NMSECU provides the Town with a positive banking relationship and has determined that the benefits of the savings at the NMSECU is greater than the risk of loss.

**EFFECT**

The Town is at risk for a loss of funds and in violation of NMAC 2.2.2.10 N. (5)(b).

**RECOMMENDATION**

The Town should continue to monitor its depository accounts as it relates to uninsured balances and develop relationships that are beneficial to the Town and in compliance with State statutes.

**MANAGEMENT RESPONSE**

The Board of Trustees and Management are closely monitoring all deposits with all Financial Institutions and have determined that the current investment structure is in the Town's best interest. For institutions that do not offer pledged collateral, we monitor each statement monthly.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

**C. FINDINGS – COMPLIANCE AND OTHER MATTERS**

**11-02 Travel and Per Diem – Other**

**CRITERIA**

Employees are to be paid travel and per diem in accordance with NMAC 2.42.2.8, for payment of per diem, and in accordance with NMAC 2.42.2.9, for reimbursement of actual expenses supported by receipts.

**CONDITION**

During our testwork, we noted 1 of 3 travel and per diem reimbursements that was paid incorrectly. The employee was not reimbursed the partial day per diem that he/she was eligible to receive resulting in an underpayment of \$5.

**CAUSE**

The Town did not properly calculate the amount the employee should have been reimbursed, in accordance with statutes listed above.

**EFFECT**

The Town may be over or under paying employees' travel and per diem reimbursements.

**RECOMMENDATION**

The Town needs to ensure that travel and per diem reimbursements are paid in accordance with state statutes listed above.

**MANAGEMENT RESPONSE**

The Town concurs with this finding and this was due to a mathematical error in calculation of the per diem that was not caught.



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
EXIT CONFERENCE  
For the Year Ended June 30, 2011**

**Exit Conference**

An exit conference was held on November 7, 2011 to discuss the annual financial report. Attending were the following:

Representing the Town of Estancia:

Theodore Barela, Mayor  
Sylvia Chavez, Mayor Pro-tem  
Julie Carter, Clerk  
Linda Warren, Deputy Clerk

Representing the Independent Auditor:

Herman Chavez, CPA, Manager  
Jake Bowe, Staff

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.