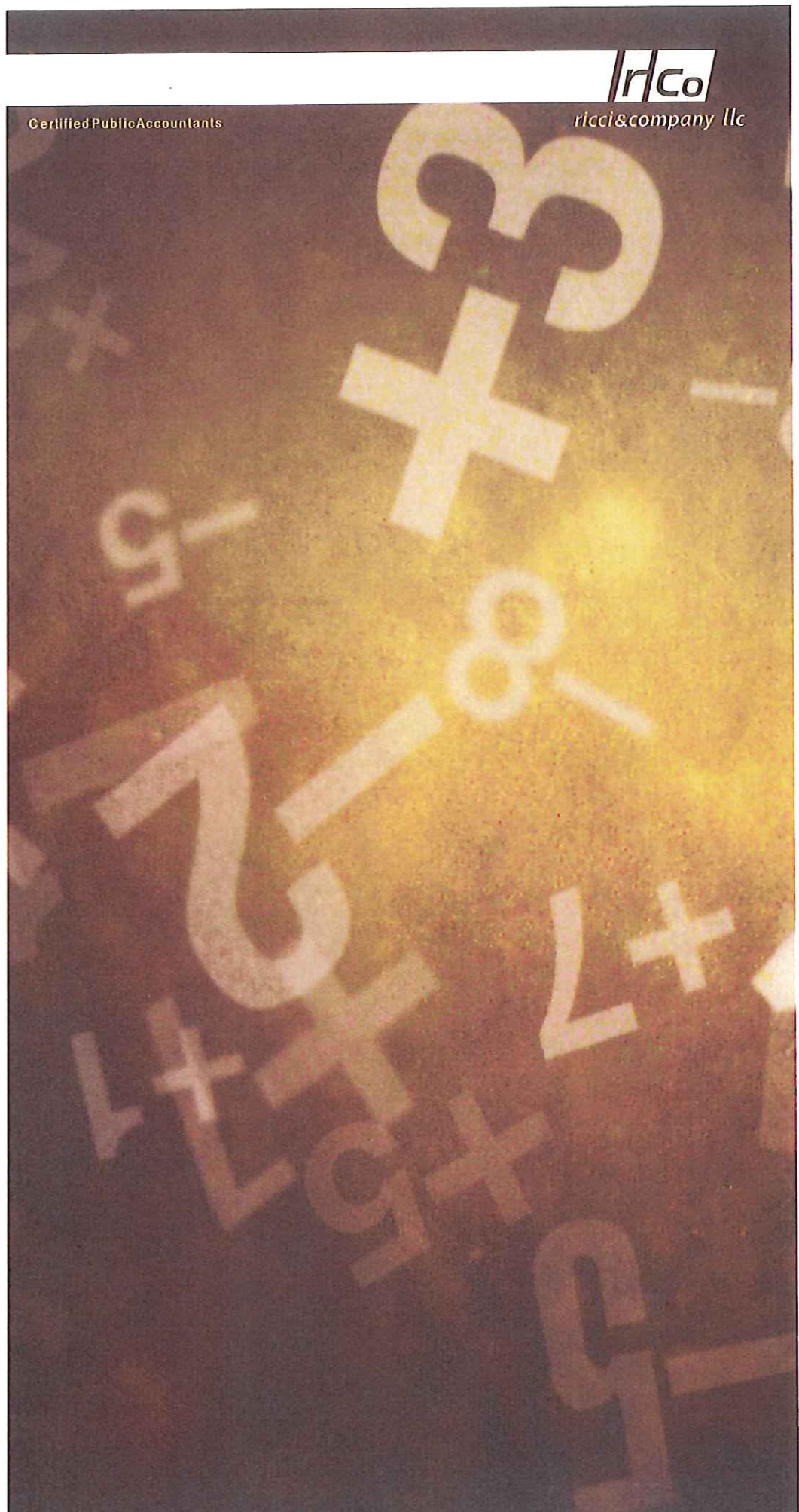




*ricci & company llc*

Certified Public Accountants



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**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>
Sylvia Chavez	Mayor
Ted Helsley	Councilor
Josie Richards	Councilor
Cory Dryden	Councilor
Michelle Dunlap	Mayor Pro-tem

**Administration**

Linda Warren	Town Deputy Clerk
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## **Independent Auditor's Report**

Hector Balderas  
New Mexico State Auditor  
and  
Sylvia Chavez, Mayor  
Town Council Members  
Town of Estancia  
Estancia, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of the Town of Estancia, New Mexico (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's non-major governmental, and the budgetary comparisons for the major capital projects funds, and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Basis for Qualified 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, 2013 or the amount of depreciation expense for the year then ended.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2013, and the changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Town of Estancia, New Mexico, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules and supporting schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and supporting schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Town'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* in considering the Town's internal control over financial reporting and compliance.

*Ricci, Porch & Company, LLC*

Albuquerque, New Mexico  
November 15, 2013

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, 2013. 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 position of the Town, including government and business-type activities, at the close of the 2013 fiscal year was \$8,467,039. Of this amount, \$510,296 (unrestricted net position) 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 \$405,536. This decrease is attributed mainly to a CDBG grant fund received for the sewer line project in prior year.
- Expenditures for governmental and business-type activities from prior year decreased \$103,927. This decrease is attributed to high sewer line project construction costs incurred in prior year.
- As of June 30, 2013, the Town's governmental funds reported combined ending fund balances of \$2,604,708.
- As of June 30, 2013, the Town's business-type activities reported combined ending net position balances of \$2,894,197.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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 11 – 13 of this report.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2013	2012	2013	2012
Current Assets	\$ 2,334,729	\$ 382,307	101,715	108,923
Restricted Assets	1,081,031	1,118,116	24,797	23,569
Internal Balances	(144,989)	(144,989)	144,989	144,989
Capital Assets, net of accumulated depreciation	4,189,819	4,082,839	2,898,339	2,889,371
<b>Total Assets</b>	<b>7,460,590</b>	<b>5,438,273</b>	<b>3,169,840</b>	<b>3,166,852</b>
Current Liabilities	691,071	107,161	104,929	104,663
Long-term Liabilities	1,196,677	25,294	170,714	235,529
<b>Total Liabilities</b>	<b>1,887,748</b>	<b>132,455</b>	<b>275,643</b>	<b>340,192</b>
<b>Total Net Position</b>	<b>5,572,842</b>	<b>5,305,818</b>	<b>2,894,197</b>	<b>2,826,660</b>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2013	2012	2013	2012
Program Revenues				
Charges for services	73,777	62,001	647,863	661,134
Operating grants and contributions	245,566	250,259	-	-
Capital grants and contributions	132,159	240,000	127,095	391,378
General Revenues				
Taxes	921,043	958,264	-	-
Other	4,539	4,626	10,084	-
Transfers	(44,831)	(48,666)	44,831	48,666
<b>Total Revenues</b>	<b>1,332,253</b>	<b>1,466,484</b>	<b>829,873</b>	<b>1,025,512</b>
Program Expenses				
General government	357,933	383,253	762,336	786,477
Public safety	420,932	386,408	-	-
Culture and recreation	202,849	282,634	-	-
Health and welfare	59,170	65,419	-	-
Public works	23,958	25,265	-	-
Interest and other charges	387	2,036	-	-
<b>Total Expenses</b>	<b>1,065,229</b>	<b>1,145,015</b>	<b>762,336</b>	<b>786,477</b>

## 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 which is considered to be the only major fund in the current fiscal year. Data from the other twelve 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, 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 units.

The basic proprietary fund financial statements can be found on pages 19 – 21.

## 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 22 – 43 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 47 - 52 of this report.

## ANALYSIS OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Estancia, net position exceeded liabilities by \$8,467,039 at the close of the current fiscal year.

The largest portion of the Town of Estancia's net position represents the Town's investment of \$6,875,712 in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment), net of 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 position* of \$510,296 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 position, for the government as a whole as well as for the business-type activities.

## ANALYSIS OF CHANGES IN NET POSITION

The Town's net position, overall, increased by \$334,561 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 position by \$267,024 compared to the prior year's increase of \$321,469. Gross Receipts Tax and other taxes contributed \$814,104 in revenues, or approximately 61% of total revenues of \$1,332,253.

## 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 the Capital Project Fund.

As of the end of the current fiscal year, the Town of Estancia's governmental funds reported combined ending fund balances of \$2,604,708, an increase of \$1,300,723 in comparison with the prior year. The increase is primarily due to the receivable due from CCA related to the negative net receipts that is due from the Town to New Mexico Taxation and Revenue.

Revenues for governmental functions overall totaled \$2,573,761 in the fiscal year ended June 30, 2013, which represents an increase of \$1,058,611 from the fiscal year ended June 30, 2012. Expenditures for governmental functions totaled \$1,228,207. This was a decrease of approximately \$208,577 from the fiscal year ended June 30, 2012. In the fiscal year ended June 30, 2013, revenues exceeded expenditures for governmental functions by \$1,345,554 before operating transfers.

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 \$1,366,654.

The fund balance of the Town of Estancia's General Fund had a net increase of \$1,242,060 during the current fiscal year, mostly due to the receivable due from CCA related to the negative net receipts that is due from the Town to New Mexico Taxation and Revenue.

The Capital Projects Fund has a fund balance of \$2,591. The net change in fund balance during the current year was (\$3,008).

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

At the end of the fiscal year, the unrestricted net position for Utilities was \$208,304. The total increase in net position for the Proprietary Funds was \$67,537 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 and an increase in utility rates.

## 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 2013, the cash and investments balance of the General Fund had increased by \$39,622. The budget revenue exceeded actual by \$15,466.

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, 2013 amount to \$7,088,158 (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 \$277,966 for road construction, roof repair, and sewer line infrastructure replacement, of which \$170,986 was capitalized within the proprietary fund.

**Debt Administration.** The Statement of Net Position shows Investment in Capital Assets in the amount of \$6,875,712. This balance includes the capital assets, net of accumulated depreciation, reduced by the note balances associated with those capital assets.

#### **ECONOMIC FACTORS**

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 POSITION  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and temporary investments	\$ 312,763	-	312,763
Receivables	270,440	53,564	324,004
Accounts receivable - negative net receipts	1,799,677	-	1,799,677
Internal balances	(48,151)	48,151	-
<b>Total current assets</b>	<b>2,334,729</b>	<b>101,715</b>	<b>2,436,444</b>
Noncurrent Assets			
Restricted cash	1,081,031	24,797	1,105,828
Internal balances	(144,989)	144,989	-
Capital assets	4,189,819	4,959,384	9,149,203
Less accumulated depreciation	-	(2,061,045)	(2,061,045)
<b>Total noncurrent assets</b>	<b>5,125,861</b>	<b>3,068,125</b>	<b>8,193,986</b>
<b>Total assets</b>	<b>\$ 7,460,590</b>	<b>3,169,840</b>	<b>10,630,430</b>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts payable	\$ 40,160	28,882	69,042
Accrued payroll	22,903	6,835	29,738
Accrued compensated absences	25,008	5,235	30,243
Due to State of New Mexico	603,000	-	603,000
Current portion of long-term obligations	-	63,977	63,977
<b>Total current liabilities</b>	<b>691,071</b>	<b>104,929</b>	<b>796,000</b>
Long-term Liabilities			
Noncurrent portion of long-term obligations	-	148,469	148,469
Due to State of New Mexico	1,196,677	-	1,196,677
Customer deposits	-	22,245	22,245
<b>Total long-term liabilities</b>	<b>1,196,677</b>	<b>170,714</b>	<b>1,367,391</b>
<b>Total liabilities</b>	<b>1,887,748</b>	<b>275,643</b>	<b>2,163,391</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,189,819	2,685,893	6,875,712
Restricted for capital projects	1,081,031	-	1,081,031
Unrestricted	301,992	208,304	510,296
<b>Total net position</b>	<b>5,572,842</b>	<b>2,894,197</b>	<b>8,467,039</b>
<b>Total liabilities and net position</b>	<b>\$ 7,460,590</b>	<b>3,169,840</b>	<b>10,630,430</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, 2013

<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	\$ 357,933	73,777	199,818	64,964
Public safety	420,932	-	23,000	-
Culture and recreation	202,849	-	-	-
Health and welfare	59,170	-	6,800	-
Public works	23,958	-	15,948	67,195
Interest and other charges	387	-	-	-
Total governmental activities	<u>1,065,229</u>	<u>73,777</u>	<u>245,566</u>	<u>132,159</u>
Business-like activities				
Joint utilities	762,336	647,863	-	127,095
Total business-like activities	<u>762,336</u>	<u>647,863</u>	<u>-</u>	<u>127,095</u>
<b>Total primary government</b>	<u>\$ 1,827,565</u>	<u>721,640</u>	<u>245,566</u>	<u>259,254</u>

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

Total general revenues and transfers

Change in net position

Beginning net position

**Ending net position**

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



Net (Expense) Revenue and Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
\$	(19,374)	-	(19,374)
	(397,932)	-	(397,932)
	(202,849)	-	(202,849)
	(52,370)	-	(52,370)
	59,185	-	59,185
	(387)	-	(387)
	(613,727)	-	(613,727)
	-	12,622	12,622
	-	12,622	12,622
	(613,727)	12,622	(601,105)
\$	16,414	-	16,414
	760,441	-	760,441
	37,249	-	37,249
	106,939	-	106,939
	4,208	10,084	14,292
	(44,831)	44,831	-
	331	-	331
	880,751	54,915	935,666
	267,024	67,537	334,561
	5,305,818	2,826,660	8,132,478
\$	5,572,842	2,894,197	8,467,039

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Other Non-Major Funds	Total
<b>ASSETS</b>			
Current			
Cash and temporary investments	\$ 292,187	20,576	312,763
Due from other funds	111,830	64,629	176,459
Accounts receivable	148,407	122,033	270,440
Accounts receivable - negative net receipts	1,799,677	-	1,799,677
Restricted			
Cash and temporary investments	1,081,031	-	1,081,031
<b>Total assets</b>	<b>\$ 3,433,132</b>	<b>207,238</b>	<b>3,640,370</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Current Liabilities			
Accounts payable	\$ 16,250	23,910	40,160
Accrued payroll	22,903	-	22,903
Due to other funds	64,629	111,830	176,459
Due to Joint Utility Fund	48,151	-	48,151
Due to State of New Mexico	603,000	-	603,000
Long-Term Liabilities			
Due to business-type activities	144,989	-	144,989
<b>Total liabilities</b>	<b>899,922</b>	<b>135,740</b>	<b>1,035,662</b>
Fund Balance			
Restricted			
Library	1,081,031	-	1,081,031
Special purposes	-	58,778	58,778
Capital Projects Fund	-	2,591	2,591
Future year expenditures	85,525	-	85,525
Unassigned	1,366,654	10,129	1,376,783
<b>Total fund balance</b>	<b>2,533,210</b>	<b>71,498</b>	<b>2,604,708</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,433,132</b>	<b>207,238</b>	<b>3,640,370</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 POSITION  
June 30, 2013

<b>Total fund balance for the governmental fund (Balance Sheet)</b>	\$ 2,604,708
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,189,819
Long-term liabilities, including the portion due to the State of New Mexico related to negative net receipts and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Due to State of New Mexico, negative net receipts	(1,196,677)
Compensated absences	<u>(25,008)</u>
<b>Net position of governmental activities (Statement of Net Position)</b>	<u><u>\$ 5,572,842</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  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General Fund	Non-Major Governmental Funds	Total
<b>Revenues</b>			
Other general	\$ 92,683	285,042	377,725
Fines and forfeits	45,511	16,525	62,036
Taxes	2,056,688	23,783	2,080,471
Licenses and permits	4,006	-	4,006
Charges for services	44,984	-	44,984
Interest	267	64	331
Miscellaneous	3,183	1,025	4,208
Meter	-	-	-
<b>Total revenues</b>	<b>2,247,322</b>	<b>326,439</b>	<b>2,573,761</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government	318,656	37,500	356,156
Public safety	334,402	86,530	420,932
Culture and recreation	197,845	5,004	202,849
Health and welfare	52,370	6,800	59,170
Public works	23,958	-	23,958
Capital outlay	-	106,980	106,980
<b>Debt service:</b>			
Principal	37,894	19,881	57,775
Interest	32	355	387
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>965,157</b>	<b>263,050</b>	<b>1,228,207</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,282,165</b>	<b>63,389</b>	<b>1,345,554</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	13,011	13,011
Operating transfers out	(40,105)	(17,737)	(57,842)
<b>Total other financing sources (uses)</b>	<b>(40,105)</b>	<b>(4,726)</b>	<b>(44,831)</b>
<b>Net change in fund balance</b>	<b>1,242,060</b>	<b>58,663</b>	<b>1,300,723</b>
<b>Fund balance, beginning of year</b>	<b>1,291,150</b>	<b>12,835</b>	<b>1,303,985</b>
<b>Fund balance - end of year</b>	<b>\$ 2,533,210</b>	<b>71,498</b>	<b>2,604,708</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, 2013

**Net change in fund balance - Governmental Fund**  
**(Statement of Revenues, Expenditures and Changes in Fund Balance)** \$ 1,300,723

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 106,980

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 position. 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:

Due to State of New Mexico, negative net receipts (1,196,677)  
Payment on long-term debt 57,775  
Increase in accrued compensated absences (1,777)

**Change in net position** \$ 267,024

*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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 922,729	901,385	901,385	-
Intergovernmental	125,200	120,019	92,683	(27,336)
Licenses and fees	25,750	33,989	49,517	15,528
Charges for services	20,000	25,802	45,400	19,598
Investment income	125	86	267	181
Miscellaneous	-	26,620	3,183	(23,437)
<b>Total revenues</b>	<b>1,093,804</b>	<b>1,107,901</b>	<b>1,092,435</b>	<b>(15,466)</b>
<b>Expenditures</b>				
Current:				
General government	350,166	357,953	354,321	3,632
Public safety	358,259	343,190	333,794	9,396
Culture and recreation	225,897	192,113	200,360	(8,247)
Debt service				
Principal	34,639	78,267	2,116	76,151
Miscellaneous	101,861	97,527	76,715	20,812
<b>Total expenditures</b>	<b>1,070,822</b>	<b>1,069,050</b>	<b>967,306</b>	<b>101,744</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>22,982</b>	<b>38,851</b>	<b>125,129</b>	<b>86,278</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	12,549	-	12,549
Operating transfers out	-	(78,267)	(98,819)	(20,552)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(65,718)</b>	<b>(98,819)</b>	<b>(33,101)</b>
<b>Net change in fund balance</b>	<b>22,982</b>	<b>(26,867)</b>	<b>26,310</b>	<b>53,177</b>
Fund balance, beginning of year	(83,509)	(38,297)	22,276	60,573
<b>Fund balance, end of year</b>	<b>\$ (60,527)</b>	<b>(65,164)</b>	<b>48,586</b>	<b>113,750</b>
Prior year fund balance required to balance budget	\$ 60,527	65,164		
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 1,092,435	
Changes in accounts receivable			(41,790)	
Unbudgeted revenue - negative net receipts			1,196,677	
Revenues, GAAP basis			<u>\$ 2,247,322</u>	
Expenses, budgetary basis			\$ 967,306	
Changes in accounts payable			1,757	
Changes in accrued liabilities			(3,906)	
Expenses, GAAP basis			<u>\$ 965,157</u>	

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

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - JOINT UTILITY FUND  
June 30, 2013

**ASSETS**

Current Assets

Due from governmental funds	\$ 48,151
Receivables	53,564
<b>Total current assets</b>	<u>101,715</u>

Noncurrent Assets

Cash - customer deposits	24,797
Internal balances	144,989
Capital assets	4,959,384
Less accumulated depreciation	<u>(2,061,045)</u>
<b>Total noncurrent assets</b>	<u>3,068,125</u>

<b>Total assets</b>	<u>\$ 3,169,840</u>
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**LIABILITIES AND NET POSITION**

Current Liabilities

Accounts payable	\$ 28,882
Accrued payroll	6,835
Accrued compensated absences	5,235
Current portion of long-term obligations	63,977
<b>Total current liabilities</b>	<u>104,929</u>

Long-term Liabilities

Noncurrent portion of long-term obligations	148,469
Customer deposits	22,245
<b>Total long-term liabilities</b>	<u>170,714</u>

<b>Total liabilities</b>	<u>275,643</u>
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**NET POSITION**

Invested in capital assets, net of related debt	2,685,893
Unrestricted	208,304
<b>Total net position</b>	<u>2,894,197</u>

<b>Total liabilities and net position</b>	<u>\$ 3,169,840</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 POSITION  
PROPRIETARY FUNDS - JOINT UTILITY FUND  
Year Ended June 30, 2013

Operating Revenues	
Charges for services	\$ 647,863
Grant revenue	127,095
	<hr/>
<b>Total operating revenues</b>	<b>774,958</b>
	<hr/>
Operating Expenses	
Salaries	210,879
Travel	1,863
Supplies	41,721
Depreciation	162,018
Solid waste removal	135,976
Other operating expenses	209,879
	<hr/>
<b>Total operating expenses</b>	<b>762,336</b>
	<hr/>
<b>Operating income</b>	<b>12,622</b>
	<hr/>
Nonoperating Revenues (Expenses)	
Sale of assets	10,084
Transfers in	44,831
	<hr/>
<b>Total nonoperating revenues</b>	<b>54,915</b>
	<hr/>
<b>Change in net position</b>	<b>67,537</b>
	<hr/>
Total net position - beginning	2,826,660
	<hr/>
<b>Total net position - ending</b>	<b>\$ 2,894,197</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, 2013

Cash Flows From Operating Activities	
Cash received from customers	\$ 782,166
Cash paid to suppliers and employees	<u>(596,196)</u>
<b>Net cash provided by operating activities</b>	<u>185,970</u>
 Cash Flows From Non-Capital Financing Activities	
Transfers to/from other funds	<u>44,831</u>
 Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(170,986)
Proceeds from sale of assets	10,084
Principal payments on debt	<u>(68,671)</u>
<b>Net cash used by capital and related financing activities</b>	<u>(229,573)</u>
 <b>Net increase in cash and cash equivalents</b>	1,228
 Cash and cash equivalents, beginning of year	<u>71,720</u>
 <b>Cash and cash equivalents, end of year</b>	<u><u>\$ 72,948</u></u>
 <b>Reconciliation of Operating Income and Net Cash</b>	
<b>Provided by Operating Activities</b>	
Operating income	\$ 12,622
Adjustments to reconcile operating income to net cash	
by operating activities	
Depreciation	162,018
Change in assets and liabilities	
Accounts receivable	7,208
Accounts payable	9,470
Accrued liabilities	(382)
Accrued compensated absences	(4,128)
Customer deposits	<u>(838)</u>
 <b>Net cash provided by operating activities</b>	<u><u>\$ 185,970</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, 2013**

**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 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, 2013

**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 Position and Statement of Activities) 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, 2013

**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. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. 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 in 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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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

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

The *Agency Funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have 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, 2013.

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 government reports its proprietary fund as a major fund.

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.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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

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

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position 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, 2013 was \$1,105,828 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, 2013

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

**D. Assets, Liabilities and Net Position 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, 2013.

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, 2013

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

**D. Assets, Liabilities and Net Position 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 Position.

*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 Position. 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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Government-Wide Financial Statements:** The governmental activities and business-type activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board (GASB 63). Net position is displayed in three components 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 position:* Reflects the component of net position that have 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 position are restricted for “debt service or capital projects.”

*Unrestricted net position:* Reflects the component of net position that does 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  
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position 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, with the exception of the Intergovernmental Grant special revenue fund which is unassigned. There are no non-spendable, committed or assigned fund balances as of June 30, 2013.

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  
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June 30, 2013

**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, 2013 is presented.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**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, 2013.

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 64 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 were 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 63 - 64 of this report.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**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, 2013, \$113,445 of the Town's bank balance of \$1,380,594 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, 2013, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less than One Year
State Investment Pool	\$ 54,866	\$ 54,866

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, 2013. 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, 2013, the Town's investment of New MexiGROW LGIP had a credit risk of AAAM, value of \$54,866 and a 59-day WAM.

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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

**Reconciliation of Cash and Temporary Investments**

Cash and temporary investments – Statement of Net Position	\$ 312,763
Restricted cash – Statement of Net Position	1,105,828
Less investments in State Investment Pool	<u>(54,866)</u>
	1,363,725
Add outstanding checks (subtract deposits in transit)	<u>16,869</u>
Bank balance of deposits and repurchase agreements	<u>\$ 1,380,594</u>

**Reconciliation of General Fund Cash and Equivalents**

Total reconciled cash and temporary investments – General Fund	\$ 312,763
Plus cash due from other funds	111,830
Less cash due to other funds	<u>(112,780)</u>
Unrestricted cash – General Fund	<u>\$ 311,813</u>

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2013, are as follows:

	Governmental Activities		Business-Type Activities	Total
	Major	Non-major	Joint Utility	
Taxes and grants	\$ 148,407	122,033	-	270,440
Customers	-	-	53,564	53,564
Negative net receipts	<u>1,799,677</u>	-	-	<u>1,799,677</u>
Net receivables	<u>\$ 1,948,084</u>	<u>122,033</u>	<u>53,564</u>	<u>2,123,681</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  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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

Receivables and payables from interfund transactions as of June 30, 2013 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	\$ 111,830	112,780
General Fund – long term	-	144,989
Capital projects	14,270	34,623
Non-major funds:		
Correction	11,981	-
Law Enforcement Protection Fund (LEPF)	7,772	-
EMS	2	-
Intergovernmental grants	21,981	39,508
DWI	8,623	-
Gas tax	-	26,749
Other/trolley	-	10,950
	<u>176,459</u>	<u>369,599</u>
Business-type activities	48,151	-
Business-type activities – long term	<u>144,989</u>	-
<b>Total</b>	<u>\$ 369,599</u>	<u>369,599</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	Business-type activities	\$ 27,094
General Fund	Fire Protection	\$ 13,011
Non-major Fund		
Capital Projects	Business-type activities	\$ 17,720



STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2013, 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 6/30/12	Additions	Deletions	Balance 6/30/13
Construction in progress	\$ -	45,627	-	45,627
General capital assets	4,082,839	61,353	-	4,144,192
<b>Total</b>	<b>\$ 4,082,839</b>	<b>106,980</b>		<b>4,189,819</b>

**Business-like Activities**

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
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	3,101,687	170,986	-	3,272,673
Nondepreciable assets:				
Land and improvements	1,177,316	-	-	1,177,316
<b>Total</b>	<b>4,788,398</b>	<b>170,986</b>	<b>-</b>	<b>4,959,384</b>
Less accumulated depreciation:				
Buildings	82,672	6,655	-	89,327
Equipment	319,671	46,099	-	365,770
Vehicles	86,341	13,044	-	99,385
Plant in service	1,410,343	96,220	-	1,506,563
<b>Total</b>	<b>1,899,027</b>	<b>162,018</b>	<b>-</b>	<b>2,061,045</b>
<b>Net capital assets</b>	<b>\$ 2,889,371</b>	<b>8,968</b>	<b>-</b>	<b>2,898,339</b>

Depreciation expense relating to business-type activities for the year ended June 30, 2013 totaled \$162,018.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 7. OPERATING LEASE**

The Town entered into a lease agreement for a copy machine in October 2011. Payments of \$52 are due monthly and the lease matures in September 2016. The operating lease expense for the year ended June 30, 2013 was \$626. The minimum lease payments are as follows:

2014	\$	626
2015		626
2016		626
2017		<u>156</u>
<b>Total</b>	<b>\$</b>	<b><u>2,034</u></b>

**NOTE 8. LONG-TERM DEBT**

During the year ended June 30, 2013, the following changes occurred in the long-term debt:

	Balance 6/30/12	Additions & Adjustments	Retirements & Adjustments	Balance 6/30/13	Due Within One Year
<b>Governmental Activities</b>					
NMFA Fire Pumper	\$ 13,887	-	13,887	-	-
NMFA Library Renovation	37,894	-	37,894	-	-
USDA Police Vehicle & Equip	5,994	-	5,994	-	-
Compensated absences	<u>23,231</u>	<u>16,302</u>	<u>14,525</u>	<u>25,008</u>	<u>25,008</u>
<b>Total governmental</b>	<u>81,006</u>	<u>16,302</u>	<u>72,300</u>	<u>25,008</u>	<u>25,008</u>
<b>Business-Type Activities</b>					
NMED Rural Infrastructure Program	80,492	-	3,699	76,793	3,810
NMED Wastewater Plant	135,000	-	45,000	90,000	45,000
WFB Utility Shop Bldg	5,108	-	5,108	-	-
NMFA Road Grader	60,517	-	14,864	45,653	15,167
Compensated absences	<u>9,363</u>	<u>8,522</u>	<u>12,650</u>	<u>5,235</u>	<u>5,235</u>
<b>Total business-type</b>	<u>290,480</u>	<u>8,522</u>	<u>81,321</u>	<u>217,681</u>	<u>69,212</u>
<b>Total long-term debt</b>	<u>\$ 371,486</u>	<u>24,824</u>	<u>153,621</u>	<u>242,689</u>	<u>94,220</u>

There were no annual requirements to amortize all governmental loans payable outstanding, including interest, as all governmental loans payable were paid off as of June 30, 2013.

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

As of June 30, 2013, 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
2014	\$ 63,977	3,178	67,155
2015	64,410	2,784	67,194
2016	19,042	2,370	21,412
2017	4,163	1,951	6,114
2018	4,288	1,826	6,114
2019-2023	23,449	7,120	30,569
2024-2028	27,184	3,386	30,570
2029-2030	5,933	178	6,111
<b>Total</b>	<b>\$ 212,446</b>	<b>22,793</b>	<b>235,239</b>

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, 2013, compensated absences increased \$1,777 in the governmental funds and decreased \$4,128 in the proprietary funds over the prior year accrual. See Note 1 for more details.

**NOTE 9. 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.

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 10. 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, 2013:

Non-major Funds		
Fire Protection	\$	604
Other	\$	10,950

B. Excess of expenditures over appropriations

The following funds exceeded approved budgetary authority for the year ended June 30, 2013:

Business Type Activity – Utility Fund	\$	64,920
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**NOTE 11. 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, 2013, 2012, 2011 were \$75,812, \$75,432, and \$76,165, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO  
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June 30, 2013

**NOTE 12. 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE  
PLAN (CONTINUED)**

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$11,211, \$10,349, and \$10,224, respectively, which equal the required contributions for each year.

**NOTE 13. FEDERAL AND STATE GRANTS**

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

**NOTE 14. SUBSEQUENT EVENTS**

In September 2013, the Town entered into an agreement with the New Mexico Taxation and Revenue Department (Tax & Rev) to repay negative net receipts revenue distributions made to the Town for \$1,799,677. This amount will be paid in 27 monthly installments of \$67,000 and a final payment of \$57,677 in December 2015, which will be intercepted from Town GRT distributions beginning in October 2013. The negative net receipts are related to gross receipts paid to the Tax and Rev by the Corrections Corporation of America (CCA) on federal inmates. It was determined that gross receipts should not have been paid on the federal inmates.

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June 30, 2013**

**NOTE 14. SUBSEQUENT EVENTS (CONTINUED)**

In July of 2013, the Town entered into an agreement with CCA that stated if CCA was refunded by Tax & Rev and the Town was liable to Tax & Rev for negative net receipts, CCA would make a one-time payment to the Town for the amount due to Tax & Rev within 45 days of the invoice date. In addition, in July of 2013, CCA entered into an agreement with the Town to pay a public service fee in the amount of \$1.60 per inmate per day housed at the Torrance County Detention Facility as a payment in lieu of taxes should Tax & Rev agree that no gross receipts taxes are due. A corresponding negative net receipts receivable from CCA and liability to Tax & Rev has been recorded in the General Fund for the amounts to be collected and due in the next fiscal year. The long-term portion of the liability has been included as a reconciling item on the Reconciliation of the Balance Sheet to the Statement of Net Position and included in the government-wide Statement of Net Position in the amount of \$1,196,677.

In October 2013, the Board of Trustees motioned to terminate two Town employees. The terminated employees have secured legal representation with the intent to file suit against the Town on the grounds of unlawful termination based upon their protected class. As of the audit report date, the Town is unaware of any potential liability that may arise from this matter.

**NOTE 15. 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, it is undeterminable about whether the outcome of these matters will have a material effect on the financial position of the Town.

**OTHER SUPPLEMENTAL INFORMATION**



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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Operating Revenues				
Charges for services	\$ 684,375	690,634	655,071	(35,563)
Grant revenue	-	-	127,095	127,095
<b>Total operating revenues</b>	<u>684,375</u>	<u>690,634</u>	<u>782,166</u>	<u>91,532</u>
Operating Expenses				
Salaries	215,390	215,390	215,389	1
Travel	1,544	1,544	1,544	-
Supplies	34,580	34,580	36,526	(1,946)
Contract services	146,735	146,735	136,930	9,805
Capital outlay	27,094	27,094	27,094	-
Principal and interest payments	67,674	67,674	67,674	-
Other operating expenses	138,266	106,092	178,872	(72,780)
<b>Total operating expenses</b>	<u>631,283</u>	<u>599,109</u>	<u>664,029</u>	<u>(64,920)</u>
<b>Operating income</b>	<u>53,092</u>	<u>91,525</u>	<u>118,137</u>	<u>26,612</u>
Nonoperating Revenues (Expenses)				
Interest expense	-	-	-	-
Other income	33,275	57,002	10,084	(46,918)
Transfers (out) in	(20,000)	(67,674)	44,831	112,505
<b>Total nonoperating revenues (expenses)</b>	<u>13,275</u>	<u>(10,672)</u>	<u>54,915</u>	<u>65,587</u>
<b>Change in net position</b>	<u>66,367</u>	<u>80,853</u>	<u>173,052</u>	<u>92,199</u>
Total net position - beginning	<u>411,612</u>	<u>398,549</u>	<u>719,993</u>	<u>321,444</u>
<b>Total net position - ending</b>	<u>\$ 477,979</u>	<u>479,402</u>	<u>893,045</u>	<u>413,643</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 782,166	
Change in accounts receivable			(7,208)	
Revenues, GAAP basis			<u>\$ 774,958</u>	
Expenses, budgetary basis			\$ 664,029	
Change in accounts payable			9,470	
Change in accrued expenses			(4,510)	
Depreciation is expensed, but not budgeted			162,018	
Debt service that is not expensed, but budgeted			(68,671)	
Expenses, GAAP basis			<u>\$ 762,336</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.

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

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for specific revenues and expenses that are for a particular capital project.

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

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	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	11,981	2	-	7,772	-
Accounts receivable	-	-	-	-	49,470
Restricted					
Cash and temporary investments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 11,981</b>	<b>2</b>	<b>-</b>	<b>7,772</b>	<b>49,470</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Current Liabilities					
Due to other funds	\$ -	-	-	-	26,749
Accounts payable	1,343	-	604	-	-
Interfund balances	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Deferred revenue - property taxes	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,343</b>	<b>-</b>	<b>604</b>	<b>-</b>	<b>26,749</b>
Fund Balance					
Restricted					
Special purposes	10,638	2	(604)	7,772	22,721
Capital Projects fund	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>10,638</b>	<b>2</b>	<b>(604)</b>	<b>7,772</b>	<b>22,721</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,981</b>	<b>2</b>	<b>-</b>	<b>7,772</b>	<b>49,470</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
-	-	-	-	11,690	8,886	20,576
-	21,981	8,623	-	-	-	50,359
-	27,711	-	-	-	-	77,181
-	-	-	-	-	-	-
-	49,692	8,623	-	11,690	8,886	148,116
-	39,508	-	10,950	-	-	77,207
-	55	-	-	-	-	2,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	39,563	-	10,950	-	-	79,209
-	-	8,623	(10,950)	11,690	8,886	58,778
-	-	-	-	-	-	-
-	10,129	-	-	-	-	10,129
-	10,129	8,623	(10,950)	11,690	8,886	68,907
-	49,692	8,623	-	11,690	8,886	148,116

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING BALANCE SHEET (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	Capital Projects Funds		
	Capital Projects	Total Capital Projects Funds	Non-Major Total
<b>ASSETS</b>			
Current			
Cash and temporary investments	\$ -	-	20,576
Due from other funds	14,270	14,270	64,629
Accounts receivable	44,852	44,852	122,033
Restricted			
Cash and temporary investments	-	-	-
<b>Total assets</b>	<b>\$ 59,122</b>	<b>59,122</b>	<b>207,238</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Current Liabilities			
Due to other funds	\$ 34,623	34,623	111,830
Accounts payable	21,908	21,908	23,910
Interfund balances	-	-	-
Deferred revenue	-	-	-
Deferred revenue - property taxes	-	-	-
<b>Total current liabilities</b>	<b>56,531</b>	<b>56,531</b>	<b>135,740</b>
Fund Balance			
Restricted			
Special purposes	-	-	58,778
Capital Projects fund	2,591	2,591	2,591
Unassigned	-	-	10,129
<b>Total fund balance</b>	<b>2,591</b>	<b>2,591</b>	<b>71,498</b>
<b>Total liabilities and fund balance</b>	<b>\$ 59,122</b>	<b>59,122</b>	<b>207,238</b>

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

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, 2013

	Special Revenue Funds				
	Correction Fees	EMS	Fire Protection	Law Enforcement Protection	Gas Tax
<b>Revenues</b>					
Taxes	\$ -	-	-	-	23,783
Intergovernmental	-	6,800	68,885	23,000	47,069
Licenses and fees	16,525	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	55	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>16,525</b>	<b>6,800</b>	<b>68,940</b>	<b>23,000</b>	<b>70,852</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	10,165	-	67,420	8,945	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	6,800	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	-	49,393
Debt service:					
Principal	-	-	13,887	5,994	-
Interest	-	-	355	-	-
Bond issuance costs	-	-	-	-	-
<b>Total expenditures</b>	<b>10,165</b>	<b>6,800</b>	<b>81,662</b>	<b>14,939</b>	<b>49,393</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>6,360</b>	<b>-</b>	<b>(12,722)</b>	<b>8,061</b>	<b>21,459</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	13,011	-	-
Operating transfers out	-	-	-	-	-
Bond proceeds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>13,011</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>6,360</b>	<b>-</b>	<b>289</b>	<b>8,061</b>	<b>21,459</b>
Fund balance - beginning of year	4,278	2	(893)	(289)	1,262
<b>Fund balance - end of year</b>	<b>\$ 10,638</b>	<b>2</b>	<b>(604)</b>	<b>7,772</b>	<b>22,721</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
-	-	-	-	-	-	23,783
-	88,650	3,823	-	-	-	238,227
-	-	-	-	-	-	16,525
-	-	-	-	-	-	-
-	-	-	-	5	4	64
-	-	1,025	-	-	-	1,025
-	88,650	4,848	-	5	4	279,624
-	37,500	-	-	-	-	37,500
-	-	-	-	-	-	86,530
-	5,004	-	-	-	-	5,004
-	-	-	-	-	-	6,800
-	-	-	-	-	-	-
-	25,501	-	-	-	-	74,894
-	-	-	-	-	-	19,881
-	-	-	-	-	-	355
-	-	-	-	-	-	-
-	68,005	-	-	-	-	230,964
-	20,645	4,848	-	5	4	48,660
-	-	-	-	-	-	13,011
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	13,011
-	20,645	4,848	-	5	4	61,671
-	(10,516)	3,775	(10,950)	11,685	8,882	7,236
-	10,129	8,623	(10,950)	11,690	8,886	68,907



STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	Capital Projects Funds		
	Capital Projects	Total Capital Projects Funds	Non-Major Total
<b>Revenues</b>			
Taxes	\$ -	-	23,783
Intergovernmental	46,815	46,815	285,042
Licenses and fees	-	-	16,525
Charges for services	-	-	-
Investment income	-	-	64
Miscellaneous	-	-	1,025
<b>Total revenues</b>	<b>46,815</b>	<b>46,815</b>	<b>326,439</b>
<b>Expenditures</b>			
Current:			
General government	-	-	37,500
Public safety	-	-	86,530
Culture and recreation	-	-	5,004
Health and welfare	-	-	6,800
Public works	-	-	-
Capital outlay	32,086	32,086	106,980
Debt service:			
Principal	-	-	19,881
Interest	-	-	355
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>32,086</b>	<b>32,086</b>	<b>263,050</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>14,729</b>	<b>14,729</b>	<b>63,389</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	-	13,011
Operating transfers out	(17,737)	(17,737)	(17,737)
Bond proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>(17,737)</b>	<b>(17,737)</b>	<b>(4,726)</b>
<b>Net change in fund balance</b>	<b>(3,008)</b>	<b>(3,008)</b>	<b>58,663</b>
Fund balance - beginning of year	5,599	5,599	12,835
<b>Fund balance - end of year</b>	<b>\$ 2,591</b>	<b>2,591</b>	<b>71,498</b>

*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  
CORRECTION FEES SPECIAL REVENUE FUND  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	-	-	-	-
Licenses and fees	12,200	16,525	16,525	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>12,200</u>	<u>16,525</u>	<u>16,525</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	8,400	8,823	8,822	1
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total expenditures</b>	<u>8,400</u>	<u>8,823</u>	<u>8,822</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,800</u>	<u>7,702</u>	<u>7,703</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	(7,702)	-	7,702
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(7,702)</u>	<u>-</u>	<u>7,702</u>
<b>Net change in fund balance</b>	<u>3,800</u>	<u>-</u>	<u>7,703</u>	<u>7,703</u>
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>2,446</u>	<u>4,278</u>	<u>1,832</u>
<b>Fund balance - end of year</b>	<u>\$ 3,800</u>	<u>2,446</u>	<u>11,981</u>	<u>9,535</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 16,525	
Changes in accounts receivable				
Revenues, GAAP basis			<u>\$ 16,525</u>	
Expenses, budgetary basis			\$ 8,822	
Changes in accounts payable			1,343	
Expenses, GAAP basis			<u>\$ 10,165</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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	6,800	6,800	6,800	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>6,800</b>	<b>6,800</b>	<b>6,800</b>	<b>-</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	6,800	6,800	6,800	-
Public works	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total expenditures</b>	<b>6,800</b>	<b>6,800</b>	<b>6,800</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
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>-</b>	<b>-</b>
<b>Fund balance - beginning of year</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 6,800	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 6,800</u>	
Expenses, budgetary basis			\$ 6,800	
Changes in accounts payable			-	
Expenses, GAAP basis			<u>\$ 6,800</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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	68,885	68,885	68,885	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	55	55
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>68,885</u>	<u>68,885</u>	<u>68,940</u>	<u>55</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	67,717	67,717	67,709	8
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	1,168	14,242	14,242	-
<b>Total expenditures</b>	<u>68,885</u>	<u>81,959</u>	<u>81,951</u>	<u>8</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(13,074)</u>	<u>(13,011)</u>	<u>63</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	(1,176)	(1,176)	13,011	14,187
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(1,176)</u>	<u>(1,176)</u>	<u>13,011</u>	<u>14,187</u>
<b>Net change in fund balance</b>	<u>(1,176)</u>	<u>(14,250)</u>	<u>-</u>	<u>14,250</u>
Fund balance - beginning of year	<u>420</u>	<u>412</u>	<u>-</u>	<u>(412)</u>
<b>Fund balance - end of year</b>	<u>\$ (756)</u>	<u>(13,838)</u>	<u>-</u>	<u>13,838</u>
Prior year fund balance required to balance budget	<u>\$ 756</u>	<u>13,838</u>		
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 68,940	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 68,940</u>	
Expenses, budgetary basis			\$ 81,951	
Changes in accounts payable			(289)	
Expenses, GAAP basis			<u>\$ 81,662</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, 2013

	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>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	14,500	9,235	9,234	1
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	8,500	5,994	5,994	-
<b>Total expenditures</b>	<u>23,000</u>	<u>15,229</u>	<u>15,228</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>7,771</u>	<u>7,772</u>	<u>1</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>7,771</u>	<u>7,772</u>	<u>1</u>
<b>Fund balance - beginning of year</b>	<u>28</u>	<u>(2,553)</u>	<u>-</u>	<u>2,553</u>
<b>Fund balance - end of year</b>	<u>\$ 28</u>	<u>5,218</u>	<u>7,772</u>	<u>2,554</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			\$ 15,228	
Changes in accounts payable			(289)	
Expenses, GAAP basis			<u>\$ 14,939</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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 25,000	23,457	23,457	-
Intergovernmental	48,581	1,845	1,845	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>73,581</u>	<u>25,302</u>	<u>25,302</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	48,511	49,393	49,393	-
<b>Total expenditures</b>	<u>48,511</u>	<u>49,393</u>	<u>49,393</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>25,070</u>	<u>(24,091)</u>	<u>(24,091)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	-	24,091	24,091
Original issue premiums	-	-	-	-
Original issue discounts	-	-	-	-
Bond proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>24,091</u>	<u>24,091</u>
<b>Net change in fund balance</b>	25,070	(24,091)	-	24,091
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>(2,658)</u>	<u>(2,658)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 25,070</u>	<u>(26,749)</u>	<u>(2,658)</u>	<u>24,091</u>
<b>Prior year fund balance required to balance budget</b>	<u>\$ -</u>	<u>26,749</u>		
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 25,302	
Changes in accounts receivable			<u>45,550</u>	
Revenues, GAAP basis			<u>\$ 70,852</u>	
Expenses, budgetary basis			\$ 49,393	
Changes in accounts payable			<u>-</u>	
Expenses, GAAP basis			<u>\$ 49,393</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, 2013

	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)	-	-	-	-
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>1,461</u>	<u>1,461</u>	-	-
<b>Fund balance - end of year</b>	<u>\$ 1,461</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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	19,853	7,491	23,439	15,948
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>19,853</u>	<u>7,491</u>	<u>23,439</u>	<u>15,948</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	4,950	4,949	1
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	25,501	25,501	-
<b>Total expenditures</b>	<u>-</u>	<u>30,451</u>	<u>30,450</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>19,853</u>	<u>(22,960)</u>	<u>(7,011)</u>	<u>15,949</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 balances</b>	<u>19,853</u>	<u>(22,960)</u>	<u>(7,011)</u>	<u>15,949</u>
Fund balance - beginning of year	<u>10,315</u>	<u>31,756</u>	<u>21,165</u>	<u>(10,591)</u>
<b>Fund balance - end of year</b>	<u>\$ 30,168</u>	<u>8,796</u>	<u>14,154</u>	<u>5,358</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 23,439	
Changes in accounts receivable			27,711	
Unbudgeted - grant funding			37,500	
Revenues, GAAP basis			<u>\$ 88,650</u>	
Expenses, budgetary basis			\$ 30,450	
Changes in accounts payable			55	
Unbudgeted - grant expenses			37,500	
Expenses, GAAP basis			<u>\$ 68,005</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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	3,400	3,823	3,823	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	1,024	1,025	1
<b>Total revenues</b>	<u>3,400</u>	<u>4,847</u>	<u>4,848</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	3,400	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>4,847</u>	<u>4,848</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	(4,847)	-	4,847
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(4,847)</u>	<u>-</u>	<u>4,847</u>
<b>Net change in fund balance</b>	-	-	4,848	4,848
<b>Fund balance - beginning of year</b>	-	2,318	3,775	1,457
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>2,318</u>	<u>8,623</u>	<u>6,305</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 4,848	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 4,848</u>	
Expenses, budgetary basis			\$ -	
Changes in accounts payable			-	
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  
TROLLEY/OTHER SPECIAL REVENUE FUND  
Year Ended June 30, 2013

	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)	-	-	-	-
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	(65,105)	(51,130)	(42,631)	8,499
<b>Fund balance - end of year</b>	<u>\$ (65,105)</u>	<u>(51,130)</u>	<u>(42,631)</u>	<u>8,499</u>
Prior year fund balance required to balance budget	<u>\$ 65,105</u>	<u>51,130</u>		
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ -	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ -</u>	
Expenses, budgetary basis			\$ -	
Changes in accounts payable			-	
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  
CAPITAL PROJECTS FUND  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ -	-	-	-
Intergovernmental	317,000	317,000	1,963	(315,037)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>317,000</u>	<u>317,000</u>	<u>1,963</u>	<u>(315,037)</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	317,000	61,994	19,143	42,851
<b>Total expenditures</b>	<u>317,000</u>	<u>61,994</u>	<u>19,143</u>	<u>42,851</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>255,006</u>	<u>(17,180)</u>	<u>(272,186)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	74,356	34,623	(39,733)
Operating transfers out	-	-	(17,737)	(17,737)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>74,356</u>	<u>16,886</u>	<u>(57,470)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>329,362</u>	<u>(294)</u>	<u>(329,656)</u>
Fund balance - beginning of year	<u>8,445</u>	<u>43,720</u>	<u>(87,930)</u>	<u>(131,650)</u>
<b>Fund balance - end of year</b>	<u>\$ 8,445</u>	<u>373,082</u>	<u>(88,224)</u>	<u>(461,306)</u>
<b>Reconciliation to GAAP Basis</b>				
Revenues, budgetary basis			\$ 1,963	
Changes in accounts receivable			44,852	
Revenues, GAAP basis			<u>\$ 46,815</u>	
Expenses, budgetary basis			\$ 19,143	
Change in accounts payable			12,943	
Expenses, GAAP basis			<u>\$ 32,086</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, 2013

<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	\$ 11,690	-	-	-	-	-	11,690
Meter Deposits	23,581	-	-	-	-	-	23,581
Town of Estancia	8,886	-	-	-	-	-	8,886
Investment Account	268,456	-	-	-	-	-	268,456
Payroll Account	10,322	-	-	-	-	-	10,322
CDBG Account	1,233	-	-	-	-	-	1,233
Savings Account	233,002	-	-	30,261	-	-	263,263
Debt Service Reserve Funds	-	19,953	-	-	-	-	19,953
NM State Investment Pool	-	-	54,866	-	-	-	54,866
Certificate of Deposit	2,505	-	-	-	-	-	2,505
Certificate of Deposit	-	-	-	259,060	256,381	255,264	770,705
<b>Total on deposit</b>	<b>559,675</b>	<b>19,953</b>	<b>54,866</b>	<b>289,321</b>	<b>256,381</b>	<b>255,264</b>	<b>1,435,460</b>
Reconciling items	(16,869)	-	-	-	-	-	(16,869)
<b>Reconciled balance, June 30, 2013</b>	<b>\$ 542,806</b>	<b>19,953</b>	<b>54,866</b>	<b>289,321</b>	<b>256,381</b>	<b>255,264</b>	<b>1,418,591</b>
Petty Cash							-
<b>Combined balance sheet total June 30, 2013</b>							<b>\$ 1,418,591</b>

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2013

	Wells Fargo Bank	Bank of Albuquerque	State Employees Credit Union	My Bank	US Bank
Total on deposit	\$ 559,675	19,953	289,321	256,381	255,264
Less: FDIC coverage	(497,196)	(19,953)	(250,000)	(250,000)	(250,000)
Uninsured balance, June 30, 2013	62,479	-	39,321	6,381	5,264
50% pledged collateral at June 30, 2013	31,240	-	19,661	3,191	2,632
Pledged collateral security description:					
Fed Natl Mtg Assn Pool J16662 3.0%					
CUSIP # 3128PWMK1					
matures 9/01/2026, \$55,000	29,979	-	-	-	-
Fed Natl Mtg Assn Pool AI8345 2.902%					
CUSIP # 3138ANHX4					
matures 8/4/2041, \$5,000	3,722	-	-	-	-
Fed Natl Mtg Assn Pool AT2015 3.0%					
CUSIP # 3138WPGZ1					
matures 4/1/2043, \$5,000	4,861	-	-	-	-
Fed Natl Mtg Assn Pool AE0385 4.0%					
CUSIP # 31419ANB9					
matures 9/1/2040, \$25,000	10,467	-	-	-	-
FHLMC Gold Pool					
CUSIP # 31283KN46					
matures 10/1/2017	-	-	-	-	1,455
FNMA Pool AE9299					
CUSIP # 31419LKM4					
matures 11/1/2025	-	-	-	-	5,594
Luna Cnty NM Sch Dist					
CUSIP # 550340DL4,					
matures 8/1/2016, \$25,000	-	-	-	27,104	-
Total	49,029	-	-	27,104	7,049
Over (Under) Collaterized	\$ 17,790	-	(19,661)	23,914	4,417

STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF JOINT POWERS  
June 30, 2013

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 inangement	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

Amount the Town Contributed in the Current Fiscal Year	Audit Responsibility	Fiscal Agent	Name of Governmental Agency Where Revenues and Expenditures are Reported
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, Porch & Company LLC

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

## **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***

### **Independent Auditor's Report**

Hector Balderas  
New Mexico State Auditor  
and  
Sylvia Chavez, Mayor  
Town Council Members  
Town of Estancia  
Estancia, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund of the Town of Estancia, New Mexico (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated November 15, 2013. This report contained a modified opinion because of the inadequacy of accounting records related to capital assets, therefore, 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, 2013 or the amount of depreciation expense for the year then ended.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be or material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-05, 09-02, and 09-03.

### **The Town's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ricci, Porch & Company, LLC*

Albuquerque, New Mexico  
November 15, 2013

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SUMMARY OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**A. STATUS OF PRIOR YEAR FINDINGS**

FS 05-01	Capital Assets	Updated and Included
FS 05-05	Budget Deficits	Updated and Included
FS 07-03	SAS 115 Compliance (Updated to SAS 115)	Updated and Included
FS 07-05	Trial Balance	Updated and Included
FS 09-02	Use of Fuel Cards	Updated and Included
FS 09-03	Pledged Collateral	Updated and Included
FS 11-02	Travel and Per Diem – Other	Resolved
FS 11-03	Late Submission of Audit Report	Resolved
FS 12-01	Internal Controls	Resolved

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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 is currently pursuing grant funding for the purpose of implementing an asset management plan in order to become compliant and to be able track all capital assets for the Town of Estancia.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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, requires 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.
- Due to/due from had to be recorded to balance trial balances by fund.

**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 has implemented a Revenue File for the purpose of tracking revenues and maintaining back up for those revenues and continues to work with the auditors to establish methods to more accurately track funds. We have scheduled time with our auditing firm to review/revamp some of our current Quick Books files in order to address this finding. Due to limited trained staff, utilizing the Accounts Receivable and Accounts Payable module of QuickBooks has not been possible for the Town of Estancia at this time.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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. We acknowledge efforts have been made to configure the QuickBooks file to better track revenues and expenditures at the fund level; however, fund level trial balances are still not in balance.

**CAUSE**

The initial set up of QuickBooks was in a manner similar to a for-profit enterprise rather 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 perform.

**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 is working to make changes in our current QuickBooks files in order to have funds become self-balancing as budget is not available to upgrade to a governmental accounting software program. The Town continues to work to adopt our QuickBooks files to have the trail balance by fund so that it is self-balancing.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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.

**CONDITION**

We tested internal controls over six credit card payments totaling \$10,034 and noted for one statement tested one receipt was not provided to support \$260 in charges.

**CAUSE**

Management could not identify the cause of the missing receipt. It is believed that it may have been misfiled.

**EFFECT**

Unauthorized purchases can go undetected when actual receipts are not provided and reconciled to credit card statements.

**RECOMMENDATION**

The Town should reconcile all receipts to the credit card statements. When receipts are not available or have been misplaced, the Town should require that an affidavit of missing receipt is provided and approved by members of management or those charged with governance.

**MANAGEMENT RESPONSE**

The Town has initiated a process for tracking receipts and matching them against the fuel purchases on the credit card statement, and discussion has occurred between Management and Staff to stress the importance of employees turning in gas receipts in a timely manner in order for the Financial Office to have time to reconcile the gas receipts to the credit card statement. The billing clerk has received additional training from WEX to better assist her in reconciling the gas receipts to the statement each month.



**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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:

Business Type Activity - Utility Fund	\$ 64,920
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**CAUSE**

Revenues from charges for services and grant funding 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**

An end of year budget adjustment for funds was submitted, but due to capital projects expenses being booked against the utility fund, expenditures exceeded revenues, as revenues from some the capital projects were not received until the 2013-2014 budget year. Budgets will be monitored more closely and adjustments made in order to assure compliance by the Town.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013**

**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 \$289,321 of total savings accounts deposits at the New Mexico State Employees Credit Union (NMSECU), which exceeds FDIC insurance limits by \$39,321. 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.

**STATE OF NEW MEXICO  
TOWN OF ESTANCIA  
EXIT CONFERENCE  
For the Year Ended June 30, 2013**

**Exit Conference**

An exit conference was held on November 15, 2013 to discuss the annual financial report. Attending were the following:

Representing the Town of Estancia:

Linda Warren, Deputy Clerk  
Sylvia Chavez, Mayor

Representing the Independent Auditor:

Michelle Martinez, CPA

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