

STATE OF NEW MEXICO



ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Town of Estancia
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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STATE OF NEW MEXICO
Town of Estancia

OFFICIAL ROSTER
June 30, 2016

<u>Name</u>		<u>Title</u>
	<u>Town Council</u>	
Sylvia Chavez		Mayor
J Morrow Hall		Mayor Pro Tem
Manuel Romero		Trustee
Cory Dryden		Trustee
Stella Chavez		Trustee
	<u>Town Officials</u>	
Debra Kelly		Clerk/Treasurer
Michelle Dunlap		Deputy Clerk

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Town of Estancia
Estancia, New Mexico

Report on Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of the Town of Estancia (the "Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Town of Estancia's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Town of Estancia's nonmajor governmental funds and the budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor 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, 2016, as listed in the table of contents. We did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Town. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinions on the financial statements as identified above under Report on Financial Statements.

An audit involves performing procedures to obtain 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 Town of Estancia'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 Town of Estancia'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 were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinions.

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Basis for Disclaimer of Opinion

The Town of Estancia was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Town's financial statements as of and for the year ended June 30, 2016, particularly with respect to the cash balances, capital assets and depreciation and current year activities.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which Town of Estancia's financial statements as of and for the year ended June 30, 2016 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2016.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

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 13-20, the *Schedule of the Town's Proportionate Share of the Net Pension Liability of PERA Fund Divisions* on pages 101-103, the *Schedule of Contributions* on pages 105-107, and the notes to required supplementary information on page 109 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

We were engaged for the purpose of forming opinions on Town of Estancia's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the engaged auditing procedures applied in the engagement to audit the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the Town of Estancia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Estancia's internal control over financial reporting and compliance.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, New Mexico
November 14, 2016

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STATE OF NEW MEXICO
Town of Estancia
Management's Discussion and Analysis
for the Year Ended June 30, 2016
Unaudited

As management of the Town of Estancia, we offer readers of the Town of Estancia's financial statements this narrative overview and analysis of the financial activities of the Town of Estancia for the fiscal year ended June 30, 2016. 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 assets of the Town of Estancia exceeded its liabilities at the close of the most recent fiscal year by \$9,786,641 (*net position*). Of this amount, \$(165,433) (*unrestricted*) is obligated to creditors.
- The government's total net position increased by \$798,853 during the fiscal year. The majority of this increase is due to a decrease in expenditures and an increase in taxes and debt forgiveness for governmental activities.
- As of June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$2,392,051. Of this total, \$28,117 is restricted for capital projects, \$62,577 is restricted for special revenue funds and \$1,000,000 is restricted for the general fund.

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 comprise 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 taxes 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 Sewer/AWWT, Solid Waste, Water and Meter Deposits.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

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 two categories: governmental funds, and proprietary funds.

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Town of Estancia
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Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of 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 fifteen individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, and Grants Capital Projects Fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

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 three types of proprietary funds.

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 39-62 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 70-97 of this report.

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Town of Estancia
Management's Discussion and Analysis
for the Year Ended June 30, 2016
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

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, assets exceeded liabilities by \$9,786,641 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 \$7,894,559 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Town of Estancia uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Estancia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position
For the Year Ended June 30, 2016 and June 30, 2015

	June 30, 2016			June 30, 2015		
	Governmental	Business Type	Total	Governmental	Business Type	Total
Assets						
Current and other assets	\$ 2,529,264	\$ 208,945	\$ 2,738,209	\$ 1,814,509	\$ 274,347	\$ 2,088,856
Capital assets, net of accumulated depreciation	5,260,094	2,932,566	8,192,660	5,208,843	2,843,530	8,052,373
Deferred Outflows of resources	98,816	-	98,816	88,685	-	88,685
Total Assets	7,888,174	3,141,511	11,029,685	7,112,037	3,117,877	10,229,914
Liabilities						
Long-term liabilities outstanding	800,392	72,957	873,349	556,537	69,959	626,496
Other Liabilities	309,196	41,562	350,758	435,372	65,996	501,368
Total Liabilities	1,109,588	114,519	1,224,107	991,909	135,955	1,127,864
Deferred Inflows of Resources	18,937	-	18,937	165,632	-	165,632
Net Position						
Net investment in capital assets	5,027,011	2,867,548	7,894,559	4,035,719	2,759,470	6,795,189
Restricted	2,102,317	-	2,102,317	1,024,109	-	1,024,109
Unrestricted	(324,877)	159,444	(165,433)	894,668	222,452	1,117,120
Total Net Position	6,759,649	3,026,992	9,786,641	5,954,496	2,981,922	8,936,418
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,888,174	\$ 3,141,511	\$ 11,029,685	\$ 7,112,037	\$ 3,117,877	\$ 10,229,914

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A portion of the Town of Estancia's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

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

The Town of Estancia's net position increased by \$843,923 during the current fiscal year. This increase is explained in the government and business-type activities discussion below and is primarily a result of an increase in expenditures.

Changes in Net Position
For the Year Ended June 30, 2016

	Governmental Activities	Business Type Activities	Total
<u>Revenue</u>			
Program revenue			
Charges for Service	\$ 155,178	\$ 663,216	\$ 818,394
Operating grants and contributions	349,626	-	349,626
Capital Grants	945,217	-	945,217
General Revenue			
Property Tax	17,275	-	17,275
Franchise Tax	2,838	-	2,838
Gross Receipts Tax	714,538	-	714,538
Public Service Tax	19,628	-	19,628
Miscellaneous	1,880	-	1,880
Total Revenue	\$ 2,206,180	\$ 663,216	\$ 2,896,494
<u>Expenses</u>			
General Government	592,247	-	592,247
Public Safety	462,880	-	462,880
Culture and Recreation	282,654	-	282,654
Health and Welfare	86,872	-	86,872
Public Works	(2,768)	-	(2,768)
Interest on Long-term debt	(1,786)	-	(1,786)
Business-type activities	-	605,374	605,374
Total Expenses	\$ 1,420,099	\$ 605,374	\$ 2,025,473
(Decrease) Increase in Assets before transfer	786,081	57,842	843,923
Transfers	12,772	(12,772)	-
(Decrease) Increase in Net Position	798,853	45,070	843,923
Net Position, Beginning of year	5,960,796	2,981,922	8,942,718
Ending Net Position	\$ 6,759,649	\$ 3,026,992	\$ 9,786,641

Governmental activities: Governmental activities increased the Town of Estancia's net position by \$798,853. The key element of this increase was revenue exceeded expenses.

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Business-type activities: Business-type activities decreased the Town's net position by \$45,070. The key element of this increase was the due to the expenses exceeded revenues.

Changes in Net Position
For the Year Ended June 30, 2015

	Governmental Activities	Business Type Activities	Total
<u>Revenue</u>			
Program revenue			
Charges for Service	\$ 128,175	\$ 661,443	\$ 789,618
Operating grants and contributions	1,209,785	-	1,209,785
Capital Grants	55,731	-	55,731
General Revenue			
Property Tax	17,487	-	17,487
Gross Receipts Tax	3,174	-	3,174
Motor Vehicle & Fuel Tax	986,679	-	986,679
Other taxes	23,717	-	23,717
Miscellaneous revenue	2,252	9	2,261
Debt Forgiveness	\$ 2,365,843	\$ 661,452	\$ 3,027,295
Investment earnings			
Total Revenue	434,455	-	434,455
<u>Expenses</u>	620,207	-	620,207
General Government	197,362	-	197,362
Public Safety	75,648	-	75,648
Culture and Recreation	180,392	-	180,392
Health and Welfare	1,090	-	1,090
Public Works	-	799,105	799,105
Interest on Long-term debt	\$ 1,552,311	\$ 799,105	\$ 2,290,259
Business-type activities			
Total Expenses	935,846	(137,653)	798,193
	(61,157)	61,157	-
(Decrease) Increase in Assets before transfer	874,689	(76,496)	798,193
Transfers			
(Decrease) Increase in Net Position	5,677,000	3,109,556	8,786,556
	(541,133)	-	(541,133)
Net Position, Beginning of year	(56,060)	(51,138)	(107,198)
Restatement	\$ 5,079,807	\$ 2,981,922	\$ 8,061,729
Ending Net Position	\$ 128,175	\$ 661,443	\$ 789,618

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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Town of Estancia
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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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the Town of Estancia's governmental funds reported combined ending fund balances of \$2,238,581 a decrease of \$153,470 in comparison with the prior year. \$2,392,051 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$2,281,348 in the fiscal year ended June 30, 2016, which represents a decrease of \$179,527 from the fiscal year ended June 30, 2015. Expenditures for governmental activities, totaling \$2,456,239, increased by \$860,551 from the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, expenditures exceeded revenues by \$174,891.

The General Fund is the chief operating fund of the Town of Estancia. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$1,196,069 while total fund balance was \$2,196,069.

The fund balance of the Town of Estancia's general fund decreased by \$174,363 during the current fiscal year due to expenditures in excess of revenues. Overall, the general fund's performance in the fiscal year ended June 30, 2016 is due to the increase in general operations.

Grants Fund. The Grants Fund has a fund balance of \$28,117. The fund balance increased by \$55,497 compared to the fiscal year ended June 30, 2015.

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 Sewer, Solid Waste, Water and Meter Deposits funds were \$44,909, \$181,165, \$(66,630) and \$0, respectively. The change in net position for the proprietary funds was \$45,070. Factors concerning the finances of this fund have been addressed previously in the discussion of the Town's business-type activities.

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General Fund Budgetary Highlights

The 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 Trustees, community input meetings, long-term plans and input from various staff groups to develop the Town budget. The Town priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Budget Performance

Final Budget	Actual non-GAAP Cash Basis	Favorable (Unfavorable) Variance
\$1,343,432	\$1,184,022	\$159,410

The Town's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year.

The Capital Project Funds are included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BARs).

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, 2016 amount to \$8,052,914 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment. The total increase in the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,051,251 for governmental activities due primarily to an addition to construction in progress placed in service in the fiscal year 2016. There was an increase in capital assets (excluding accumulated depreciation) in business-type capital assets during the current fiscal year of \$89,036.

Capital Assets, Net of Depreciation
June 30, 2016

	Governmental Activities	Business Type Activities	Total
General Capital Assets	\$ 5,602,397	\$ -	\$ 5,602,397
Land	-	1,177,316	1,177,316
Buildings & Improvements	-	206,200	206,200
Equipment & Vehicles	-	321,505	300,437
Utility Plant in service	-	3,272,673	3,272,673
Construction in progress	<u>669,194</u>	<u>-</u>	<u>669,194</u>
Total capital assets	6,271,591	5,045,662	11,228,217
Accumulated depreciation	<u>(1,011,497)</u>	<u>(2,252,840)</u>	<u>(3,264,337)</u>
Capital assets, net of accumulated depreciation	<u>\$ 5,260,094</u>	<u>\$ 2,792,820</u>	<u>\$ 8,052,914</u>

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For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 7 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration. At the end of the current fiscal year, the Town of Estancia had total debt obligations outstanding of \$323,369 of this \$22,509 is current portion of debt.

Outstanding Debt
As of June 30, 2016

	Governmental Activities	Business Type Activities	Total
Loans and Notes payables	\$ 233,083	65,018	\$ 298,101
Accrued compensated absences	13,166	12,102	25,268
Total long-term liabilities	\$ 246,249	\$ 77,120	\$ 32,369

Long-term debt additions and retirements related to revenue bonds and loans for governmental activities for the current year were \$99,600 and \$22,620, respectively. Accrued compensated absences additions and retirements were \$20,172 and \$24,027, respectively, for governmental activities. Long-term debt additions and retirements related to notes and loans for business type activities for the current year were \$0 and \$19,042, respectively. Business type activities accrued compensated absences additions and retirements were \$10,216 and \$3,497, respectively.

See Note 8 in the accompanying Notes to the Financial Statements for further information regarding the Town of Estancia's long-term debt.

Economic Factors and Next Year's Budgets and Rates

There are no currently known facts, decisions, or conditions that are expected to have a significant effect or impact on the Town's financial position or results of operations.

REQUESTS FOR INFORMATION

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: Town of Estancia Administration, Town of Estancia, P.O. Box 166, Estancia, New Mexico, 87016.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET POSITION
June 30, 2016

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 528,058	\$ -	\$ 528,058
Internal pooled cash	76,715	149,143	225,858
Due from other funds for negative cash	-	-	-
Investments	853,704	-	853,704
Taxes receivable	361	-	361
Accounts receivable	70,426	59,802	130,228
Total Current Assets	1,529,264	208,945	1,738,209
Noncurrent Assets			
Restricted Cash for Library Building Fund	1,000,000	-	1,000,000
Capital assets	6,271,591	5,045,662	11,317,253
Less: accumulated depreciation	(1,011,497)	(2,252,842)	(3,264,339)
Total Noncurrent Assets	6,260,094	2,792,820	9,052,914
Deferred Outflows of Resources			
Change in Assumptions in Net Pension Liability	-	-	-
Post Measurement Date Contributions- Employer	98,816	-	98,816
Total Deferred Outflows of Resources	98,816	-	98,816
Total Assets and Deferred Outflows of Resources	\$ 7,888,174	\$ 3,001,765	\$ 10,889,939

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF NET POSITION
June 30, 2016

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Internal pooled cash	\$ 188,240	\$ -	\$ 188,240
Due to other funds for negative cash	38,904	-	38,904
Accounts payable	54,122	8,735	62,857
Accrued salaries and wages	9,417	-	9,417
Accrued interest	167	406	573
Accrued compensated absences	-	-	-
Unearned Revenue	-	28,258	28,258
Current portion of bonds and loans payable	18,346	4,163	22,509
Total Current Liabilities	309,196	41,562	350,758
Noncurrent Liabilities			
Bonds payable	-	-	-
Accrued Compensated Absences	13,167	12,102	25,269
Loans and notes payable	214,737	60,855	275,592
Net Pension Liability	572,488	-	572,488
Total Noncurrent Liabilities	800,392	72,957	873,349
Total Liabilities	1,109,588	114,519	1,224,107
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	-	-
Actuarial Experience in Net Pension Liability	7,611	-	7,611
Investment Experience in Net Pension Liability	1,722	-	1,722
Change in Assumptions in Net Pension Liability	9,604	-	9,604
Total Deferred Inflows of Resources	18,937	-	18,937
Net Position			
Net Investment in Capital Assets	5,027,011	2,727,802	7,754,813
Restricted for:			
Debt Service	(22,401)	-	(22,401)
Capital Project Funds	971,614	-	971,614
Special Revenue Funds	108,302	-	108,302
General Fund- Library Building fund	1,000,000	-	1,000,000
Unrestricted	(324,877)	159,444	(165,433)
Total Net Position	6,759,649	2,887,246	9,646,895
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,888,174</u>	<u>\$ 3,001,765</u>	<u>10,889,939</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2015

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
General government	\$ 592,247	\$ 70,138	\$ 185,963
Public safety	469,180	81,738	115,397
Public works	(2,768)	-	37,500
Culture and recreation	282,654	-	23,366
Health and welfare	86,872	3,302	-
Interest on long-term debt	(1,786)	-	-
<i>Total governmental activities</i>	<u>1,426,399</u>	<u>155,178</u>	<u>362,226</u>
Business-type Activities:			
Sewer/AWWT	103,697	122,692	-
Solid Waste	172,493	215,713	-
Water	468,930	324,811	-
<i>Total business type activities</i>	<u>745,120</u>	<u>663,216</u>	<u>-</u>
Total	<u><u>\$ 2,171,519</u></u>	<u><u>\$ 818,394</u></u>	<u><u>\$ 362,226</u></u>
General Revenues:			
Taxes			
Property taxes, levied for general purposes			
Franchise taxes			
Gross receipts taxes			
Public service taxes			
Interest income			
Transfers			
Miscellaneous income			
Total General Revenues and Transfers			
Excess (deficiency) of revenues over expenses			
Change in net position			
Net position, beginning			
Net position, ending			

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2015

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Capital Grants and Contributions	Government Activities	Business Type Activities	Total
\$ -	\$ (336,146)	\$ -	\$ (336,146)
-	(272,045)	-	(272,045)
945,217	985,485	-	985,485
-	(259,288)	-	(259,288)
-	(83,570)	-	(83,570)
-	1,786	-	1,786
945,217	36,222	-	36,222
-	-	18,995	18,995
-	-	43,220	43,220
-	-	(144,119)	(144,119)
-	-	(81,904)	(81,904)
<u>\$ 945,217</u>	<u>\$ 36,222</u>	<u>\$ (81,904)</u>	<u>\$ (45,682)</u>
	17,275	-	17,275
	2,838	-	2,838
	714,538	-	714,538
	19,628	-	19,628
	1,880	-	1,880
	12,772	(12,772)	-
	-	-	-
	<u>768,931</u>	<u>(12,772)</u>	<u>756,159</u>
	<u>805,153</u>	<u>(94,676)</u>	<u>710,477</u>
	805,153	(94,676)	710,477
	<u>5,954,496</u>	<u>2,981,922</u>	<u>8,936,418</u>
	<u>\$ 6,759,649</u>	<u>\$ 2,887,246</u>	<u>\$ 9,646,895</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Grants Capital Projects Fund	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	1,509,473	\$ -	\$ 18,585	\$ 1,528,058
Due from Pooled Cash	-	24,459	52,256	76,715
Investments	853,704	-	-	853,704
Taxes receivable	361	-	-	361
Other receivables	52,007	12,119	6,300	70,426
<i>Total assets</i>	<u>\$ 2,415,545</u>	<u>\$ 36,578</u>	<u>\$ 77,141</u>	<u>\$ 2,529,264</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Due to Pooled Cash	180,841	\$ -	\$ 46,303	\$ 227,144
Accounts payable	29,218	8,461	16,443	54,122
Accrued salaries and benefits	9,417	-	-	9,417
Accrued compensated absences	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>219,476</u>	<u>8,461</u>	<u>62,746</u>	<u>290,683</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue-property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>				
Fund Balance				
Restricted for:				
General Fund	1,000,000	-	-	1,000,000
Special Revenue Funds	-	-	62,577	62,577
Capital Projects Funds	-	28,117	-	28,117
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	1,196,069	-	(48,182)	1,147,887
<i>Total fund balances</i>	<u>2,196,069</u>	<u>28,117</u>	<u>14,395</u>	<u>2,238,581</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,415,545</u>	<u>\$ 36,578</u>	<u>\$ 77,141</u>	<u>\$ 2,529,264</u>

STATE OF NEW MEXICO

TOWN OF ESTANCIA

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF POSITION

June 30, 2016

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the statements of net position are different because:

Fund balances - total governmental funds	\$	2,238,581
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		5,260,094
Accrued Interest is not available to pay for current period expenditures and therefore, is recorded as a liability in the funds:		(167)
Long-term liabilities, including notes payable, net pension liability and related deferrals which are not due and payable in the current period and, therefore, are not reported in the funds		<u>(738,859)</u>
Net position of governmental activities	\$	<u><u>6,759,649</u></u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending June 30, 2016

	General Fund	Grants Capital Projects Fund	Other Governmental Funds	Total
<i>Revenues:</i>				
Taxes	\$ 765,558	\$ -	\$ 19,628	\$ 785,186
State Grants	196,862	1,044,817	169,963	1,411,642
Federal Grants	-	-	36,532	36,532
Charges for Services	20,857	-	-	20,857
Licenses and Fees	13,105	-	2,212	15,317
Investment Income (Loss)	1,712	-	12	1,724
Miscellaneous	9,934	-	156	10,090
Total Revenues	1,008,028	1,044,817	228,503	2,281,348
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	501,106	-	-	501,106
Public Safety	413,827	-	102,658	516,485
Public Works	-	1,024,082	68,428	1,092,510
Culture and Recreation	189,295	-	73,696	262,991
Health and Welfare	63,129	-	-	63,129
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	21,344	21,344
Interest	-	-	(1,326)	(1,326)
Total Expenditures	1,167,357	1,024,082	264,800	2,456,239
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(159,329)</u>	<u>20,735</u>	<u>(36,297)</u>	<u>(174,891)</u>
<i>Other financing sources (uses)</i>				
Transfers In	-	55,497	-	55,497
Transfers Out	(15,034)	-	(19,042)	(34,076)
Total other financing sources (uses)	<u>(15,034)</u>	<u>55,497</u>	<u>(19,042)</u>	<u>21,421</u>
<i>Net change in fund balance</i>	(174,363)	76,232	(55,339)	(153,470)
<i>Fund balance - beginning of year</i>	<u>2,370,432</u>	<u>(48,115)</u>	<u>69,734</u>	<u>2,392,051</u>
<i>Fund balance - end of year</i>	<u>\$ 2,196,069</u>	<u>\$ 28,117</u>	<u>\$ 14,395</u>	<u>\$ 2,238,581</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2016

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

Net change in fund balances - total governmental funds	\$	(153,470)
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Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures		1,168,133
Depreciation expense		(116,882)

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

Change in deferred inflows/outflows for Net Pension Liability		(26,108)
Decrease in accrued compensated absences		10,460
Loan Proceeds		(99,600)
Principal payments on Notes payable		<u>22,620</u>

Change in net position of governmental activities	\$	<u><u>805,153</u></u>
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STATE OF NEW MEXICO
TOWN OF ESTANCIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 894,500	\$ 894,500	\$ 789,281	\$ (105,219)
State Grants	110,500	110,500	196,862	86,362
Charges For Services	22,200	22,200	20,557	(1,643)
Licenses and Fees	16,500	16,500	13,105	(3,395)
Interest Income	-	-	-	-
Investment Income(Loss)	1,000	1,000	1,712	712
Miscellaneous	2,000	2,000	15,730	13,730
<i>Total revenues</i>	<u>1,046,700</u>	<u>1,046,700</u>	<u>1,037,247</u>	<u>(9,453)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	604,820	604,820	523,312	81,508
Public Safety	451,807	451,807	411,970	39,837
Public Works	-	-	-	-
Culture and Recreation	203,006	203,006	185,572	17,434
Health and Welfare	83,799	83,799	63,168	20,631
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,343,432</u>	<u>1,343,432</u>	<u>1,184,022</u>	<u>159,410</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(296,732)</u>	<u>(296,732)</u>	<u>(146,775)</u>	<u>149,957</u>
<i>Other financing sources (uses)</i>				
Designated Cash	296,732	296,732	-	(296,732)
Transfers In	(15,034)	(15,034)	(15,034)	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>281,698</u>	<u>281,698</u>	<u>(15,034)</u>	<u>(296,732)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>(15,034)</u>	<u>(15,034)</u>	<u>(161,809)</u>	<u>(146,775)</u>
<i>Cash Balance - Beginning of Year</i>	-	-	2,344,145	2,344,145
<i>Cash Balance - End of Year</i>	<u>\$ (15,034)</u>	<u>\$ (15,034)</u>	<u>\$ 2,182,336</u>	<u>\$ 2,197,370</u>
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (161,809)	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			13,969	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			(26,523)	
Net change in Fund Balances (GAAP basis)			<u>\$ (174,363)</u>	

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2016

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund	Meter Deposits	Total Joint Utility
<i>Assets</i>					
<i>Current assets</i>					
Due From Pooled Cash Fund	\$ 34,544	\$ 164,915	\$ -	\$ 28,258	\$ 227,717
Accounts receivable	12,402	16,250	31,150	-	59,802
<i>Total current assets</i>	<u>46,946</u>	<u>181,165</u>	<u>31,150</u>	<u>28,258</u>	<u>287,519</u>
<i>Capital assets</i>					
Capital assets	17,500	-	5,028,162	-	5,045,662
Accumulated depreciation	-	-	(2,252,842)	-	(2,252,842)
<i>Total Capital assets</i>	<u>17,500</u>	<u>-</u>	<u>2,775,320</u>	<u>-</u>	<u>2,792,820</u>
<i>Total Assets</i>	<u>\$ 64,446</u>	<u>\$ 181,165</u>	<u>\$ 2,806,470</u>	<u>\$ 28,258</u>	<u>\$ 3,080,339</u>
<i>Liabilities and Net Position</i>					
<i>Liabilities:</i>					
<i>Current liabilities</i>					
Due to Pooled Cash Fund	\$ -	\$ -	\$ 78,574	\$ -	\$ 78,574
Accounts payable	2,037	-	6,698	-	8,735
Accrued salaries and benefits	-	-	406	-	406
Accrued compensated absences	-	-	-	-	-
Meter Deposits Payable	-	-	-	28,258	28,258
Notes Payable	-	-	4,163	-	4,163
<i>Total current liabilities</i>	<u>2,037</u>	<u>-</u>	<u>89,841</u>	<u>28,258</u>	<u>120,136</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences payable	-	-	12,102	-	12,102
Notes Payable	-	-	60,855	-	60,855
<i>Total noncurrent liabilities</i>	<u>-</u>	<u>-</u>	<u>72,957</u>	<u>-</u>	<u>72,957</u>
<i>Total liabilities</i>	<u>2,037</u>	<u>-</u>	<u>162,798</u>	<u>28,258</u>	<u>193,093</u>
<i>Net Position:</i>					
Net Investment in Capital Assets	17,500	-	2,710,302	-	2,727,802
Unrestricted, undesignated	44,909	181,165	(66,630)	-	159,444
<i>Total net position</i>	<u>62,409</u>	<u>181,165</u>	<u>2,643,672</u>	<u>-</u>	<u>2,887,246</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 64,446</u>	<u>\$ 181,165</u>	<u>\$ 2,806,470</u>	<u>\$ 28,258</u>	<u>\$ 3,080,339</u>

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund	Meter Deposits	Total Joint Utility
<i>Operating revenues:</i>					
Charges for services	\$ 147,692	\$ 215,713	\$ 324,811	\$ -	\$ 688,216
<i>Total operating revenues</i>	<u>147,692</u>	<u>215,713</u>	<u>324,811</u>	<u>-</u>	<u>688,216</u>
<i>Operating expenses:</i>					
Operating Expenses	128,697	172,493	126,315	-	427,505
Travel	-	-	591	-	591
Gross Receipts Tax	-	-	13,480	-	13,480
Depreciation	-	-	139,746	-	139,746
Purchases for Resale	-	-	-	-	-
Contract Services	-	-	-	-	-
Salaries	-	-	188,798	-	188,798
Supplies	-	-	-	-	-
<i>Total operating expenses</i>	<u>128,697</u>	<u>172,493</u>	<u>468,930</u>	<u>-</u>	<u>770,120</u>
<i>Operating income (loss)</i>	<u>18,995</u>	<u>43,220</u>	<u>(144,119)</u>	<u>-</u>	<u>(81,904)</u>
<i>Non-operating revenues (expenses):</i>					
Interest Income	-	-	-	-	-
Interest expense	-	-	-	-	-
Transfers	15,000	-	(27,772)	-	(12,772)
<i>Total non-operating revenues (expenses)</i>	<u>15,000</u>	<u>-</u>	<u>(27,772)</u>	<u>-</u>	<u>(12,772)</u>
<i>Change in net position</i>	33,995	43,220	(171,891)	-	(94,676)
<i>Total net position, beginning of year</i>	<u>28,414</u>	<u>137,945</u>	<u>2,815,563</u>	<u>-</u>	<u>2,981,922</u>
<i>Total net position, end of year</i>	<u>\$ 62,409</u>	<u>\$ 181,165</u>	<u>\$ 2,643,672</u>	<u>\$ -</u>	<u>\$ 2,887,246</u>

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund	Meter Fund	Total
<i>Cash flows from operating activities:</i>					
Cash received from user charges	\$ 146,888	\$ 214,882	\$ 322,782	\$ 3,521	\$ 688,073
Cash payments to employees for services	-	-	(201,804)	-	(201,804)
Cash payments to suppliers for goods and services	(126,911)	(175,339)	(138,954)	-	(441,204)
<i>Net cash provided for operating activities</i>	<u>19,977</u>	<u>39,543</u>	<u>(17,976)</u>	<u>3,521</u>	<u>45,065</u>
<i>Cash flows from noncapital financing activities:</i>					
Change in long term accrued compensated absences	-	-	(25,095)	-	(25,095)
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>-</u>	<u>-</u>	<u>(25,095)</u>	<u>-</u>	<u>(25,095)</u>
<i>Cash flows from investing activities:</i>					
Adjustment to Capital Assets	(17,500)	-	(71,536)	-	(89,036)
<i>Net cash used by investing activities:</i>	<u>(17,500)</u>	<u>-</u>	<u>(71,536)</u>	<u>-</u>	<u>(89,036)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	2,477	39,543	(114,607)	3,521	(69,066)
<i>Cash and cash equivalents - beginning of year</i>	<u>\$ 32,067</u>	<u>\$ 125,372</u>	<u>\$ 36,033</u>	<u>\$ 24,737</u>	<u>\$ 218,209</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 34,544</u>	<u>\$ 164,915</u>	<u>\$ (78,574)</u>	<u>\$ 28,258</u>	<u>\$ 149,143</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>					
Operating income (loss)	\$ 18,995	\$ 43,220	\$ (144,119)	\$ -	\$ (81,904)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities					
Depreciation	-	-	139,746	-	139,746
Changes in assets and liabilities					
Receivables	(804)	(831)	(2,029)	-	(3,664)
Accrued expenses	-	-	(13,006)	3,521	(9,485)
Accounts payable	1,786	(2,846)	1,432	-	372
<i>Net cash provided by operating activities</i>	<u>\$ 19,977</u>	<u>\$ 39,543</u>	<u>\$ (17,976)</u>	<u>\$ 3,521</u>	<u>\$ 45,065</u>

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STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

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 Town and its inhabitants;
7. Preserve peace and order within the Town; 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.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town’s financial statements. The financial statements and notes are the representation of the Town’s management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Town’s accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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

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

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

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

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

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

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 the Town holds for others in an agency capacity. The Town had no agency funds as of June 30, 2016.

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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included 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 the 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 the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 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 only the General Fund, 911 Grant Fund, Fire Protection Fund, Lodgers' Tax Fund, and the Capital Projects Fund. No other funds were required to be presented as major at the discretion of management.

General Fund – the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Major Capital Project Funds:

Grants Capital Projects Fund – To account for various grant collections and expenditures. Authorization varies with each grant award.

The Town reports its proprietary funds as a major business-type fund.

Major Enterprise Funds:

Sewer/AWWT Fund – to account for the provision of sewer services to the residents of the Town.

Solid Waste Fund – to account for the provision of solid waste services to the residents of the Town.

Water Fund – to account for the provision of water services to the residents of the Town.

Meter Deposits Fund – to account for the provision of meter deposits from the residents of the Town

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

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

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

Program revenues reduce the cost of the function to be financed from the Town's general revenues. Amounts reported as *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*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

D. Assets, Liabilities, and Net Position or Equity

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

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

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 and governmental fund financial statements, delinquent property taxes are recorded when levied and the amount is available and provided. Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

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 the Financial Statements
June 30, 2016

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 (amount not rounded) 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased. 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.

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

Assets	Years
Buildings & Building Improvements	39
Infrastructure & Plant in service	39
Land Improvements	20
Vehicles	5
Equipment and Furniture	5

Inventory: Inventory is reflected at historical cost.

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

Deferred Inflow/Outflows of Resources: GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

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

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

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

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. Bonds payable are reported net of the applicable bond premium or discount.

Net Position or Fund Equity:

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated.

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Net Investment in capital assets consists of net position 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 these assets.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Revenues: The Town receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Town recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Town records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes classified as deferred inflows of resources are recorded only when the information is available and provided.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

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. The legal level of budgetary control is at the fund level. 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 and Garnet Library.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the 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, where applicable.

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

The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

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, 2016 is presented.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund are shown on each budgetary statement.

NOTE 3. Deposits and Investments

State statutes authorize the investment of the Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2016.

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

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

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

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits.

	Wells Fargo Bank	State Employees Credit Union	My Bank	US Bank	NMFA Reserves
Deposits, Checking	\$ 1,550,756	\$ -	\$ -	\$ -	\$ 3,873
Savings and/or Certificate of Deposits	251,462	246,729	257,344	255,647	-
Total Deposits	1,802,218	246,729	257,344	255,647	3,873
Less: FDIC Coverage	(500,000)	(246,729)	(250,000)	(250,000)	(3,873)
Total uninsured public funds	1,302,218	-	7,344	5,647	-
50% Collateral requirement	651,109	-	3,672	2,823	-
Pledged Securities	723,179	-	25,829	21,027	-
(Over)Under collateralized	\$ (72,801)	\$ -	\$ (3,672)	\$ (18,203)	\$ -

Custodial Credit Risk-Deposits

Account Balance	\$ 2,565,811
FDIC Insured	1,250,602
Collateral:	
Collateral held by the pledging bank, not in the Town's name	657,605
Uninsured and uncollateralized	657,604
Total Deposits	<u>\$ 2,565,811</u>

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

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2016 is:

Governmental Funds- Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 2,381,762
Less State Treasurer LGIP	(54,855)
Less Petty Cash	(400)
Add Reconciling items	55,255
	<u>\$ 2,381,762</u>

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged for bank accounts in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least 50% of the amount on deposit with the institution.

The New MexiGrow Local Governmental Investment Pool’s (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance. In accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2016, the Town’s investment balances were exposed to custodial credit risk as follows:

NMFA reserves	\$ 3,873
State Investment Pool	\$ 54,855

Interest Rate Risk and Credit Rating

The Town does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Town’s investments at June 30, 2016 include the following:

NMFA reserves	\$ 3,873
State Investment Pool, 44 day, WAM(R) AAAM	\$ 54,855

NOTE 4. Receivables

Receivables as of June 30, 2016, are as follows:

	General Fund	Fire Protection Fund	Capital Outlay	Total
Property Taxes Receivables:	\$ -	\$ -	\$ -	\$ -
Due from other governments:	52,007	6,300	12,119	70,426
Other accounts receivable	-	-	-	-
Total	\$ 52,007	\$ 52,007	\$ 12,119	\$ 70,426

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund	Total
Accounts Receivable	\$ 12,402	\$ 16,250	\$ 31,150	\$ 59,802

The above governmental receivables are deemed 100% collectible.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 5. Accounts Payables

Accounts payable as of June 30, 2016, are as follows:

	<u>Governmental activities</u>		<u>Business-like activities</u>
Payable to suppliers	\$ 54,122	\$	8,735
Payables to employees	22,584		12,102
Total	<u>\$ 76,706</u>	<u>\$</u>	<u>20,837</u>

NOTE 6. Interfund Receivables, Payables, and Transfers

“Due to” and “Due from” balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2016 is as follows:

	<u>Interfund Receivables</u>		<u>Interfund Payables</u>
General Fund	\$ -	\$	180,841
Corrections Fund	6,928		-
DWI Fund	4,939		-
Law Enforcement	1,689		-
Intergovernmental Grants	3,528		-
Capital Projects	24,459		-
Municipal Streets Fund	8,189		-
Solid Waste Fund	164,915		-
Water Fund	-		78,574
Sewer/AWWT Fund	34,544		-
Meter Deposits Fund	28,258		-
YCC Fund	28,105		-
NM Beautification	164		-
Garnett Library	-		7,399
Debt Service	-		38,904
Total	<u>\$ 305,718</u>	<u>\$</u>	<u>305,718</u>

Transfers

This schedule is reported on the government-wide basis of accounting due to the transfers of capital assets between governmental funds and business-type funds.

	<u>Transfers In</u>		<u>Transfers Out</u>
General Fund	\$ 15,463	\$	30,497
Fire Protection Fund	-		8,649
DWI Program	25,000		-
Capital Project	55,497		-
Municipal Street Fund	-		25,000
Sewer/AWWT Fund	25,000		25,000
Water Fund	-		31,814
Total	<u>\$ 120,960</u>	<u>\$</u>	<u>120,960</u>

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows.

Governmental Activities	<u>June 30, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>June 30, 2016</u>
General Capital Assets	\$ 5,103,458	\$ 498,939	\$ -	\$ -	\$ 5,602,397
Construction in Progress	-	669,194	-	-	669,194
Total Capital Assets	<u>5,103,458</u>	<u>1,168,133</u>	<u>-</u>	<u>-</u>	<u>6,271,591</u>
Less accumulated depreciation:					
General Capital Assets	894,615	116,882	-	-	1,011,497
Construction in Progress	-	-	-	-	-
Total Accumulated Depreciation	<u>894,615</u>	<u>116,882</u>	<u>-</u>	<u>-</u>	<u>1,011,497</u>
Total capital assets net of depreciation	<u>\$ 4,208,843</u>	<u>\$ 1,051,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,260,094</u>
Business-Like Activities	<u>June 30, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Land	\$ 1,177,316	\$ -	\$ -	\$ -	\$ 1,177,316
Building & Improvements	206,200	-	-	-	206,200
Equipment	249,969	71,536	-	-	321,505
Vehicles	50,468	17,500	-	-	67,968
Utility Plant in service	<u>3,272,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,272,673</u>
Total Capital Assets	<u>4,956,626</u>	<u>89,036</u>	<u>-</u>	<u>-</u>	<u>5,045,662</u>
Less accumulated depreciation:					
Building & Improvements	102,637	6,655	-	-	109,292
Equipment	249,969	-	-	-	249,969
Vehicles	39,760	7,948	-	-	47,708
Utility Plant in service	<u>1,720,730</u>	<u>125,143</u>	<u>-</u>	<u>-</u>	<u>1,845,873</u>
Total Accumulated Depreciation	<u>2,113,096</u>	<u>139,746</u>	<u>-</u>	<u>-</u>	<u>2,252,842</u>
Total capital assets net of depreciation	<u>\$ 2,843,530</u>	<u>\$ (50,710)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,792,820</u>

Depreciation expense for the year ended June 30, 2016 was estimated and charged to the following functions and funds based on the prior year:

General Government	<u>\$ 116,882</u>
Total depreciation expense governmental funds	<u>\$ 116,882</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2016 was estimated to be \$139,746.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 8. Long-term Debt

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental Activities					
LEP Revenue Bond Series 2014	\$ 19,190	\$ -	\$ 6,117	\$13,073	\$ 6,392
NMFA Water Tank	136,913	-	6,797	130,116	6,814
281 Water Trust Board	-	99,600	9,706	89,894	5,140
Accrued Compensated Absences	17,021	20,172	24,027	13,166	-
Total	<u>\$ 173,124</u>	<u>\$ 119,772</u>	<u>\$ 46,647</u>	<u>\$ 246,249</u>	<u>\$ 18,346</u>
Business-type Activities					
NMFA Road Grader	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
NMED RIP, Water Storage/ Delivery Tank	69,060	-	4,042	65,018	4,163
Accrued Compensated Absences	5,383	10,216	3,497	12,102	-
Total Long Term Debt	<u>\$ 89,443</u>	<u>\$ 10,216</u>	<u>\$ 22,539</u>	<u>\$ 77,120</u>	<u>\$ 4,163</u>

The annual requirements to amortize the long term debt of the LEP Revenue Bond Series 2014 as of June 30, 2016, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,392	\$ 588	\$ 6,980
2018	6,681	301	6,982
Total	<u>\$ 13,073</u>	<u>\$ 889</u>	<u>\$ 13,962</u>

The annual requirements to amortize the long term debt of NMFA Water Tank as of June 30, 2016, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,814	\$ 313	\$ 7,127
2018	6,831	296	7,127
2019	6,848	279	7,127
2020	6,865	262	7,127
2021	6,883	245	7,128
2022-2026	34,672	965	35,637
2027-2031	35,109	530	35,639
2032-2035	26,094	106	26,200
Total	<u>\$ 130,116</u>	<u>\$ 2,996</u>	<u>\$ 133,112</u>

Retirements and adjustments shown above for the NMFA Water Tank represents a loan subsidy (principal debt forgiveness) by the Drinking Revolving Loan Fund administered through the NM Finance Authority.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 8. Long-term Debt (continued)

The annual requirements to amortize the long term debt of the Water Trust Board as of June 30, 2016, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,140	\$ 223	\$ 5,363
2018	5,153	210	5,363
2019	5,166	197	5,363
2020	5,178	184	5,362
2021	5,191	171	5,362
2022-2026	26,152	661	26,813
2027-2031	26,481	333	26,814
2032-2035	11,433	53	11,486
Total	<u>\$ 89,894</u>	<u>\$ 2,032</u>	<u>\$ 91,926</u>

The annual requirements to amortize the long term debt of NMED RIP, Storage Water/Delivery Tank as of June 30, 2016, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,163	\$ 1,951	\$ 6,114
2018	4,288	1,826	6,114
2019	4,417	1,697	6,114
2020	4,549	1,565	6,114
2021	4,686	1,428	6,114
2022-2026	25,624	4,946	30,570
2027-2031	17,291	1,048	18,339
Total	<u>\$ 65,018</u>	<u>\$ 14,461</u>	<u>\$ 74,479</u>

Short-term Debt: The Town had no short-term debt activity during the year.

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

NOTE 9. OPERATING LEASE

The Town entered into a lease agreement for a copy machine in November 2011. Payments of \$52 are due monthly and the lease matures in November 2016. The operating lease expense for the year ended June 30, 2016 was \$626. The minimum lease payments for 2017 are \$261.

NOTE 10. 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 participates in the New Mexico Self-Insurer's Fund risk pool. The Town pays an annual premium to the pool based on claim experience and the status of the pool. The Town is not liable for more than the premium paid.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued. At June 30, 2016, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town of Estancia.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 11. Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds.

EMS Fund	(\$ 432)
Intergovernmental Grants Fund	(\$ 8,846)
Debt Service Fund	(\$38,904)
Water Fund	(\$32,145)

Fund deficits will be funded by general fund transfers or by grant revenues.

B. No expenditures exceeded appropriations by fund.

NOTE 12. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. Management and the Town's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town's insurance as described in Note 9.

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. Construction Commitments

The Town has commitments for continuation of the Allen Ayers Project, Booster Pump Station, a New Well Project, and ADA Compliance for the Town Building. As of June 30, 2016 the amount could not be determined.

NOTE 15. Negative Net Receipts

In September 2013, the Town entered into an agreement with the New Mexico Taxation and Revenue Department to repay negative net receipts revenue distributions made to the Town for \$1,799,677. This amount was to be paid in 27 monthly installments of \$67,000 and a final payment of \$57,677 in December 2015, which was to be intercepted from Town GRT distributions beginning in October 2013. The negative net receipts are related to gross receipts paid to the NM Taxation and Revenue Department 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.

In July of 2013, the Town entered into an agreement with CCA that stated if CCA was refunded by NM Taxation & Revenue Department and the Town was liable to the NM Taxation & Revenue Department for negative net receipts, CCA would make a one-time payment to the Town for the amount due to NM Taxation & Revenue Department 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 NM Taxation & Revenue Department agree that no gross receipts taxes are due.

CCA paid \$420,796 and \$1,442,373 to the Town in November 2013 and March 2014, respectively, totaling \$1,863,169. In turn, the Town remitted \$438,009 to NM Taxation & Revenue via GRT intercepts from October 2013 through April 2014 and cut a check for the remaining \$1,361,668 in April 2014, totaling the agreed upon amount due to the NM Taxation & Revenue Department of \$1,799,677. The excess of \$63,492 received from CCA has been recorded in revenues by the Town.

A payment of \$57,677 was intercepted from the Town's Municipal Gross Receipts in fiscal year 2015-2016 due to a miscalculation in repayment.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 14. PERA Pension Plans

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to Town are: General Division, and Police Division. Statutorily required contributions to the pension plan from the Town were \$98,816 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 14. PERA Pension Plans (continued)

For PERA Fund Division – General Division, at June 30, 2016, the Town reported a liability of \$343,601 for its proportionate share of the net pension liability. At June 30, 2015, the Town’s proportion was 0.0337 percent, which was a decrease of .0045 from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Town recognized PERA Fund Division – General Division pension expense of \$21,448. At June 30, 2016, the Town reported PERA Fund Division – General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,611
Changes of assumptions	-	134
Net difference between projected and actual earnings on pension plan investments	-	1,087
Changes in proportion and differences between the Town contributions and proportionate share of contributions	26,806	-
Town contributions subsequent to the measurement date	54,731	-
Total	\$ 81,537	\$ 8,832

\$54,731 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(9,101)
2018		(9,101)
2019		(9,101)
2020		18,470
Thereafter	\$	-

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 14. PERA Pension Plans (continued)

For PERA Fund Division – Police Division, at June 30, 2016, the Town reported a liability of \$228,887 for its proportionate share of the net pension liability. At June 30, 2015, the Town’s proportion was 0.0476 percent, which was a decrease of .0041 from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Town recognized PERA Fund Division – Police Division pension expense of \$11,997. At June 30, 2016, the Town reported PERA Fund Division – Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,994	\$ -
Changes of assumptions	-	9,470
Net difference between projected and actual earnings on pension plan investments	-	635
Changes in proportion and differences between the Town contributions and proportionate share of contributions	-	10,206
Town contributions subsequent to the measurement date	44,085	-
Total	\$ 60,079	\$ 20,311

\$44,085 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(1,949)
2018		(1,949)
2019		(1,949)
2020		11,736
2021		-
Thereafter	\$	-

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 14. PERA Pension Plans (continued)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment of rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality tables (Combined table for healthy post retirements, Employee Table for active members, and disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 14. PERA Pension Plans (continued)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division – General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 585,016	\$ 343,601	\$ 142,881
PERA Fund Division – Police Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 377,994	\$ 228,887	\$ 106,570

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2016, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 15. Post-Employment Benefits

Plan description: The Town of Estancia contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare 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 healthcare 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 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 healthcare 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 RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose 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.

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 plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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 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, 2016, 2015 and 2014 were \$10,367 \$9,719 and \$9,565, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 16. Memorandum of Understanding/Joint Powers Agreements

Road Work Service

Purpose: To provide road work services.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started October 8, 2003, and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

House Inmates

Purpose: To provide support for house inmates.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started October 9, 1997 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Universal 911 addressing system

Purpose: To provide support for universal 911 addressing system.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started 1998 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

911 Communicating System

Purpose: To provide support for 911 communicating system.

Participants: Town of Estancia and Torrance County

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started 1999 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 16. Memorandum of Understanding/Joint Powers Agreements (continued)

Wildfire Suppression

Purpose: A joint powers agreement to assist and cooperate with wildland fire suppression and management assistance.

Participants: Town of Estancia, and NM Energy, Minerals and Natural Resource Development (EMNR)

Responsible Party for Operation and Audit: EMNR

Beginning and Ending Date of Agreement: Started 2007 and continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Solid Waste Authority

Purpose: Agreement between Torrance County Solid Waste Authority

Participants: Town of Estancia, Torrance County, Village of Encino, City of Moriarty, and Village of Willard

Responsible Party for Operation and Audit: Torrance County

Beginning and Ending Date of Agreement: Started December 16, 1993 and is continuous unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Flood Plain Management Services

Purpose: To provide support for technical assistance, project coordination and other related Professional Engineering Services, including On call, as needed, certified flood plain management services.

Participants: Town of Estancia, and Wilson & Company Inc.

Responsible Party for Operation and Audit: Town of Estancia

Beginning and Ending Date of Agreement: January 2011 – January 2015

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Flood Plain Management Services

Purpose: To provide support for the purchase, installation and maintenance of the water harvesting unit at the Town's Fire Department building to conserve its potable water for use.

Participants: Town of Estancia, and East Torrance Soil and Water Conservation District (the District)

Responsible Party for Operation and Audit: Town of Estancia

Beginning and Ending Date of Agreement: Effective July 9, 2014

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

STATE OF NEW MEXICO
Town of Estancia
Notes to the Financial Statements
June 30, 2016

NOTE 16. Memorandum of Understanding/Joint Powers Agreements (continued)

Police Patrol on School Campus

Purpose: To provide police officer patrol on school campus during the school day and during after school activities and sporting events.

Participants: Town of Estancia, and the Estancia Municipal Schools

Responsible Party for Operation and Audit: Town of Estancia

Beginning and Ending Date of Agreement: August 2015 – June 2016

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Veterinary Services on Animal Control

Purpose: To provide veterinary services involving animal control.

Participants: Town of Estancia, and East Torrance Soil and Vista Larga Veterinary Hospital

Responsible Party for Operation and Audit: Town of Estancia

Beginning and Ending Date of Agreement: Effective October 2013 and expire October 2015 unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Fire Suppression Assistance

Purpose: To provide automatic aid and assistance to one another in suppressing structural fire and to protect and promote public health, welfare, and safety to their citizens.

Participants: Town of Estancia, and Torrance County

Responsible Party for Operation and Audit: Town of Estancia, and Torrance County

Beginning and Ending Date of Agreement: Remain effective March 2015 unless terminated by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

NOTE 17. Related Party Transactions

The Fee Accountant hired to provide accounting services for the Town from July 1, 2015 to November 2015 also rents office space from the Town. Total rent for the fiscal year of \$900 was paid to the Town as of June 30, 2016.

NOTE 18. Subsequent Review

The Town of Estancia has evaluated subsequent events through November 14, 2016, which is the date the financial statements were dated. The State Auditor released the results of a special investigation of the finances of the Town of Estancia in November 2016.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
June 30, 2016

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Town with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Local Government Corrections Fund– To account for the operation and maintenance of the Town’s jail. Financing is provided by the assessment of correction fees which may be used only for prisoner care. Authorized by NMSA 1978 35-14-44. No minimum balance required according to legislation.

Emergency Medical Services Fund– To account for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authorized by NMSA 24-10A & NMS 6-11-6. No minimum balance required according to legislation.

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. Authorized by the Fire Protection Act, NMSA 1978 59A-53-1. No minimum balance required according to legislation.

Law Enforcement Protection Fund– To account for the grant funds used for maintenance and development of the Town’s police force. Financing is provided by a grant from the State of New Mexico. Such revenue provided for purchase and repairs of equipment as well as classes to upgrade the training of police personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1. No minimum balance required according to legislation.

State Gasoline Tax Fund – To account for special gasoline tax distribution to be used for maintenance and improvement of the streets and highways. Funding is from State gasoline tax. Authorized by NMSA 1978 7-1-6.9 to 7-13-18. No minimum balance required according to legislation.

Intergovernmental Grants Fund – To account for grant funds received from state sources for various Town projects. Authorized by New Mexico State Department of Finance and Administration. No minimum balance required according to legislation.

DWI Program Fund – To account for the grant funds received from state sources for DWI related issues and awareness. Authorized by NM State Department of Finance and Administration. No minimum balance required according to legislation.

Garnett Library Grant Fund– To account for the 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, NMSA 1978 section 18-2-4B. No minimum balance required according to legislation.

YCC Fund - To account for funding to support education and job opportunities to the youth of New Mexico through the conservation and enhancement of the state’s natural resources and community benefits. Authorized by New Mexico Energy, Minerals and Natural Resources Department. No minimum balance required according to legislation.

Trolley Fund - To account for revenues and expenditures of trolley maintenance and repairs and initial cost of gas station. Authority by the Town council action. No minimum balance required according to legislation.

Keep NM Beautiful Fund - To account for a grant to administer solid waste management and litter control activities, native landscaping and beautification activities, and educational recycling activities. Authority by NM Clean & Beautiful, a program of the NM Tourism Department. No minimum balance required according to legislation.

William Library Fund– To account for the 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, NMSA 1978 section 18-2-4B. No minimum balance required according to legislation.

All funds are on a reimbursement basis, therefore there are no reverting fund requirements.

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
June 30, 2016

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects.

The Town has one fund classified as non-major Capital Projects Funds as follows:

Grants Capital Projects Fund – To account for funds collected in prior years to fund the replacement of part of the waste water treatment plant.

DEBT SERVICE FUNDS

Debt Service Fund - To account for financial resources to be used for the acquisition and payment of long term bonds and notes of the Town.

PROPRIETARY FUNDS

Sewer/AWWT Fund– To account for the provision of sewer services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, billing and maintenance.

Solid Waste Fund– To account for the provision of solid waste services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

Water Fund– To account for the provision of water services to the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

Meter Deposits Fund– To account for the provision of meter deposits from the residents of the Town. All utilities activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, billing and maintenance.

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

Schedule A-1

	Local Government Corrections Fund	Emergency Medical Services Fund	Fire Fund
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from Pooled Cash	6,928	-	-
Investments	-	-	-
Taxes receivable	-	-	-
Other receivables	-	-	6,300
<i>Total assets</i>	\$ 6,928	\$ -	\$ 6,300
<i>Liabilities</i>			
Due to Pooled Cash	\$ -	\$ -	\$ -
Accounts payable	117	432	3,520
Accrued salaries and benefits	-	-	-
Accrued compensated absences	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	117	432	3,520
<i>Fund Balances</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	6,811	-	2,780
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	(432)	-
<i>Total fund balances</i>	6,811	(432)	2,780
<i>Total liabilities and fund balances</i>	\$ 6,928	\$ -	\$ 6,300

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

Schedule A-1

	DWI Program Fund	Garnett Library Fund	YCC Fund
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ 8,907	\$ -
Due from Pooled Cash	3,653	-	28,105
Investments	-	-	-
Taxes receivable	-	-	-
Other receivables	-	-	-
<i>Total assets</i>	\$ 3,653	\$ 8,907	\$ 28,105
<i>Liabilities</i>			
Due to Pooled Cash	\$ -	\$ 7,399	\$ -
Accounts payable	-	-	-
Accrued salaries and benefits	-	-	-
Accrued compensated absences	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	-	7,399	-
<i>Fund Balances</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	3,653	1,508	28,105
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	-
<i>Total fund balances</i>	3,653	1,508	28,105
<i>Total liabilities and fund balances</i>	\$ 3,653	\$ 8,907	\$ 28,105

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
 June 30, 2016

Schedule A-1

Trolley Fund	Keep NM Beautiful Fund	Williams Library Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 8,978	\$ -	\$ 18,585
-	164	-	-	52,256
-	-	-	-	-
-	-	-	-	6,300
<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 8,978</u>	<u>\$ -</u>	<u>\$ 77,141</u>
\$ -	\$ -	\$ -	\$ 38,904	\$ 46,303
-	-	-	-	16,443
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>38,904</u>	<u>62,746</u>
-	-	-	-	-
-	164	8,978	-	62,577
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,904)</u>	<u>(48,182)</u>
<u>-</u>	<u>164</u>	<u>8,978</u>	<u>(38,904)</u>	<u>14,395</u>
<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 8,978</u>	<u>\$ -</u>	<u>\$ 77,141</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	Local Government Corrections Fund	Emergency Medical Services Fund	Fire Protection Fund
<i>Revenues:</i>			
Taxes	\$ -	\$ -	\$ -
State Grants	-	5,878	84,152
Federal Grants	-	-	-
Charges for Services	-	-	-
Licenses and Fees	2,212	-	-
Investment Income (Loss)	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>2,212</u>	<u>5,878</u>	<u>84,152</u>
<i>Expenditures:</i>			
Current:			
General Government	-	-	-
Public Safety	4,681	5,180	69,837
Public Works	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>4,681</u>	<u>5,180</u>	<u>69,837</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,469)</u>	<u>698</u>	<u>14,315</u>
<i>Other financing sources (uses)</i>			
Transfers In	-	-	-
Transfers Out	-	-	(8,649)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(8,649)</u>
<i>Net change in fund balances</i>	(2,469)	698	5,666
<i>Fund balances - beginning of year</i>	<u>9,280</u>	<u>(1,130)</u>	<u>(2,886)</u>
<i>Fund balances - end of year</i>	<u>\$ 6,811</u>	<u>\$ (432)</u>	<u>\$ 2,780</u>

<u>Law Enforcement Protection Fund</u>	<u>State Gasoline Tax Fund</u>	<u>Intergovernmental Grants Fund</u>
\$ -	\$ 19,628	\$ -
23,000	37,500	21,578
-	-	-
-	-	-
-	-	-
-	-	-
<u>23,000</u>	<u>57,128</u>	<u>21,578</u>
-	-	-
20,611	-	-
-	56,054	12,374
-	-	11,369
-	-	-
-	-	-
<u>20,611</u>	<u>56,054</u>	<u>23,743</u>
2,389	1,074	(2,165)
-	-	-
<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
-	(25,000)	25,000
2,389	(23,926)	22,835
<u>-</u>	<u>32,115</u>	<u>(31,681)</u>
<u>\$ 2,389</u>	<u>\$ 8,189</u>	<u>\$ (8,846)</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	DWI Program Fund	Garnett Library Fund	YCC Fund
<i>Revenues:</i>			
Taxes	\$ -	\$ -	\$ -
State Grants	2,367	-	-
Federal Grants	-	-	36,532
Charges for Services	-	-	-
Licenses and Fees	-	-	-
Investment Income (Loss)	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>2,367</u>	<u>-</u>	<u>36,532</u>
<i>Expenditures:</i>			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	7,385	53,318
Health and Welfare	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>7,385</u>	<u>53,318</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,367</u>	<u>(7,385)</u>	<u>(16,786)</u>
<i>Other financing sources (uses)</i>			
Transfers In	-	-	-
Transfers Out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	2,367	(7,385)	(16,786)
<i>Fund balances - beginning of year</i>	<u>1,286</u>	<u>8,893</u>	<u>44,891</u>
<i>Fund balances - end of year</i>	<u>\$ 3,653</u>	<u>\$ 1,508</u>	<u>\$ 28,105</u>

Trolley Fund	Keep NM Beautiful Fund	Williams Library Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 19,628
-	1,788	-	-	176,263
-	-	-	-	36,532
-	-	-	-	-
-	-	-	-	2,212
-	-	12	-	12
-	-	-	156	156
-	1,788	12	156	234,803
-	-	-	-	-
-	-	-	-	100,309
-	-	-	-	68,428
-	1,624	-	-	73,696
-	-	-	-	-
-	-	-	-	-
-	-	-	21,344	21,344
-	-	-	(1,326)	(1,326)
-	1,624	-	20,018	262,451
-	164	12	(19,862)	(27,648)
-	-	-	-	-
-	-	-	(19,042)	(27,691)
-	-	-	(19,042)	(27,691)
-	164	12	(38,904)	(55,339)
-	-	8,966	-	69,734
\$ -	\$ 164	\$ 8,978	\$ (38,904)	\$ 14,395

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
LOCAL GOVERNMENT CORRECTIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	5,300	5,300	2,212	(3,088)
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	5,300	5,300	2,212	(3,088)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	15,076	15,076	5,060	10,016
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	15,076	15,076	5,060	10,016
<i>Excess (deficiency) of revenues over expenditures</i>	(9,776)	(9,776)	(2,848)	6,928
<i>Other financing sources (uses)</i>				
Designated Cash	9,776	9,776	-	(9,776)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	9,776	9,776	-	(9,776)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(2,848)	(2,848)
<i>Cash Balance - Beginning of Year</i>	-	-	9,776	9,776
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 6,928	\$ 6,928
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (2,848)	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			379	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			-	
Net change in fund balances (GAAP basis)			\$ (2,469)	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	6,000	6,000	5,878	(122)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	6,000	6,000	5,878	(122)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	6,512	6,512	6,390	122
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	6,512	6,512	6,390	122
<i>Excess (deficiency) of revenues over expenditures</i>	(512)	(512)	(512)	-
<i>Other financing sources (uses)</i>				
Designated Cash	512	512	-	(512)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	512	512	-	(512)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(512)	(512)
<i>Cash Balance - Beginning of Year</i>	-	-	512	512
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (512)	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			1,210	
Net change in fund balances (GAAP Basis)			\$ 698	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	77,852	77,852	77,852	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	77,852	77,852	77,852	-
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	69,620	69,620	69,620	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	69,620	69,620	69,620	-
<i>Excess (deficiency) of revenues over expenditures</i>	8,232	8,232	8,232	-
<i>Other financing sources (uses)</i>				
Designated Cash	(8,232)	(8,232)	-	8,232
Transfers In	-	-	-	-
Transfers Out	8,649	(8,649)	(8,649)	-
<i>Total other financing sources (uses)</i>	417	(16,881)	(8,649)	8,232
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	8,649	(8,649)	(417)	8,232
<i>Cash Balance - Beginning of Year</i>	-	-	417	417
<i>Cash Balance - End of Year</i>	\$ 8,649	\$ (8,649)	\$ -	\$ 8,649
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (417)	
Adjustment to revenue for accruals and other deferrals			6,300	
Adjustment to expenditures for payables, prepaids and other accruals			(217)	
Net change in fund balances (GAAP Basis)			\$ 5,666	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	23,000	23,000	23,000	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	23,000	23,000	23,000	-
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	23,000	23,000	20,611	2,389
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	23,000	23,000	20,611	2,389
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	2,389	2,389
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	2,389	2,389
<i>Cash Balance - Beginning of Year</i>	-	-	-	-
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 2,389	\$ 2,389
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 2,389	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balances (GAAP Basis)			\$ 2,389	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
STATE GASOLINE TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 23,000	\$ 23,000	\$ 23,795	\$ 795
State Grants	45,000	45,000	37,500	(7,500)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	68,000	68,000	61,295	(6,705)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	120,039	120,039	56,054	63,985
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	120,039	120,039	56,054	63,985
<i>Excess (deficiency) of revenues over expenditures</i>	(52,039)	(52,039)	5,241	57,280
<i>Other financing sources (uses)</i>				
Designated Cash	52,039	52,039	-	(52,039)
Transfers In	-	-	-	-
Transfers Out	25,000	(25,000)	(25,000)	-
<i>Total other financing sources (uses)</i>	77,039	27,039	(25,000)	(52,039)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	25,000	(25,000)	(19,759)	5,241
<i>Cash Balance - Beginning of Year</i>	-	-	27,948	27,948
<i>Cash Balance - End of Year</i>	\$ 25,000	\$ (25,000)	\$ 8,189	\$ 33,189
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (19,759)	
Adjustment to revenue for accruals and other deferrals			(4,167)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balances (GAAP Basis)			\$ (23,926)	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)
Federal Grants	61,269	61,269	21,578	(39,691)
Charges For Services	-	-	-	-
Licenses and Fees	5,000	5,000	-	(5,000)
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	126,269	126,269	21,578	(104,691)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	56,331	56,061	11,369	44,692
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	56,331	56,061	11,369	44,692
<i>Excess (deficiency) of revenues over expenditures</i>	69,938	70,208	10,209	(59,999)
<i>Other financing sources (uses)</i>				
Designated Cash	(69,938)	(70,208)	-	70,208
Transfers In	-	-	-	-
Transfers Out	-	-	25,000	25,000
<i>Total other financing sources (uses)</i>	(69,938)	(70,208)	25,000	95,208
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	35,209	35,209
<i>Cash Balance - Beginning of Year</i>	-	-	(31,681)	(31,681)
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 3,528	\$ 3,528
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 35,209	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(12,374)	
Net change in fund balances (GAAP Basis)			\$ 22,835	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
DWI PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	3,653	3,653
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	3,653	3,653
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	3,653	3,653
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	3,653	3,653
<i>Cash Balance - Beginning of Year</i>	-	-	-	-
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 3,653	\$ 3,653
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 3,653	
Adjustment to revenue for accruals and other deferrals			(1,286)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balances (GAAP Basis)			\$ 2,367	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
GARNETT LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	8,888	8,888	7,385	1,503
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	8,888	8,888	7,385	1,503
<i>Excess (deficiency) of revenues over expenditures</i>	(8,888)	(8,888)	(7,385)	1,503
<i>Other financing sources (uses)</i>				
Designated Cash	8,888	8,888	-	(8,888)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	8,888	8,888	-	(8,888)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(7,385)	(7,385)
<i>Cash Balance - Beginning of Year</i>	-	-	8,893	8,893
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 1,508	\$ 1,508
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (7,385)	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balances (GAAP Basis)			\$ (7,385)	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
YCC SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	76,166	76,166	67,564	(8,602)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	76,166	76,166	67,564	(8,602)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	58,544	58,544	53,318	5,226
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	58,544	58,544	53,318	5,226
<i>Excess (deficiency) of revenues over expenditures</i>	17,622	17,622	14,246	(3,376)
<i>Other financing sources (uses)</i>				
Designated Cash	(17,622)	(17,622)	-	17,622
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	(17,622)	(17,622)	-	17,622
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	14,246	14,246
<i>Cash Balance - Beginning of Year</i>	-	-	13,859	13,859
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 28,105	\$ 28,105
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 14,246	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			-	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			(31,032)	
Net change in fund balances (GAAP basis)			\$ (16,786)	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
TROLLEY FUND SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	-	-
<i>Cash Balance - Beginning of Year</i>	-	-	-	-
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ -	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			-	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			-	
Net change in fund balances (GAAP basis)			\$ -	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
KEEP NM BEAUTIFUL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	1,788	1,788
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	1,788	1,788
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	1,624	1,624	1,624	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,624	1,624	1,624	-
<i>Excess (deficiency) of revenues over expenditures</i>	(1,624)	(1,624)	164	1,788
<i>Other financing sources (uses)</i>				
Designated Cash	1,624	1,624	-	(1,624)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	1,624	1,624	-	(1,624)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	164	164
<i>Cash Balance - Beginning of Year</i>	-	-	-	-
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 164	\$ 164
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 164	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			-	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			-	
Net change in fund balances (GAAP basis)			\$ 164	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
WILLIAMS LIBRARY FUND SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	12	12
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	8,960	8,960	-	8,960
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,960</u>	<u>8,960</u>	<u>-</u>	<u>8,960</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,960)</u>	<u>(8,960)</u>	<u>12</u>	<u>8,972</u>
<i>Other financing sources (uses)</i>				
Designated Cash	8,960	8,960	-	(8,960)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>8,960</u>	<u>8,960</u>	<u>-</u>	<u>(8,960)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	12	12
<i>Cash Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>8,966</u>	<u>8,966</u>
<i>Cash Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,978</u>	<u>\$ 8,978</u>
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 12	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			-	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			-	
Net change in fund balances (GAAP basis)			<u>\$ 12</u>	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	1,146,200	1,146,200	1,058,013	(88,187)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,146,200</u>	<u>1,146,200</u>	<u>1,058,013</u>	<u>(88,187)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	1,180,132	1,180,132	1,063,177	116,955
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,180,132</u>	<u>1,180,132</u>	<u>1,063,177</u>	<u>116,955</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,932)</u>	<u>(33,932)</u>	<u>(5,164)</u>	<u>28,768</u>
<i>Other financing sources (uses)</i>				
Designated Cash	33,932	33,932	-	(33,932)
Transfers In	55,497	55,497	55,497	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>89,429</u>	<u>89,429</u>	<u>55,497</u>	<u>(33,932)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>55,497</u>	<u>55,497</u>	<u>50,333</u>	<u>(5,164)</u>
<i>Cash Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>(25,874)</u>	<u>(25,874)</u>
<i>Cash Balance - End of Year</i>	<u>\$ 55,497</u>	<u>\$ 55,497</u>	<u>\$ 24,459</u>	<u>\$ (31,038)</u>
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ 50,333	
Adjustment to revenue for accruals and other deferrals			(1,077)	
Adjustment to expenditures for payables, prepaids and other accruals			26,976	
Net change in fund balances (GAAP Basis)			<u>\$ 76,232</u>	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	15,000	15,000	156	(14,844)
Total revenues	15,000	15,000	156	(14,844)
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	36,345	36,345	21,344	15,001
Interest	2,926	2,926	(1,326)	4,252
Total expenditures	39,271	39,271	20,018	19,253
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,271)</u>	<u>(24,271)</u>	<u>(19,862)</u>	<u>4,409</u>
<i>Other financing sources (uses)</i>				
Designated Cash	24,271	24,271	-	(24,271)
Transfers In	24,171	24,171	-	(24,171)
Transfers Out	-	-	(19,042)	(19,042)
Total other financing sources (uses)	48,442	48,442	(19,042)	(67,484)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>24,171</u>	<u>24,171</u>	<u>(38,904)</u>	<u>(63,075)</u>
<i>Cash Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash Balance - End of Year</i>	<u>\$ 24,171</u>	<u>\$ 24,171</u>	<u>\$ (38,904)</u>	<u>\$ (63,075)</u>
Excess (deficiency) of revenues over expenditures (Non-GAAP basis)			\$ (38,904)	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balances (GAAP Basis)			<u>\$ (38,904)</u>	

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SEWER/AWWT PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	118,300	118,300	146,888	28,588
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	118,300	118,300	146,888	28,588
<i>Expenditures:</i>				
<i>Current:</i>				
Operating Expenses	144,411	144,411	144,411	-
Travel	-	-	-	-
Gross Receipts Tax	-	-	-	-
Depreciation	-	-	-	-
Purchases for Resale	-	-	-	-
Contract Services	-	-	-	-
Salaries	-	-	-	-
Supplies	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	144,411	144,411	144,411	-
<i>Excess (deficiency) of revenues over expenditures</i>	(26,111)	(26,111)	2,477	28,588
<i>Other financing sources (uses)</i>				
Designated Cash	26,111	26,111	-	(26,111)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	26,111	26,111	-	(26,111)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	2,477	2,477
<i>Cash Balance - Beginning of Year</i>	-	-	32,067	32,067
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 34,544	\$ 34,544

STATE OF NEW MEXICO
TOWN OF ESTANCIA
SOLID WASTE PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	193,500	193,500	201,528	8,028
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	193,500	193,500	201,528	8,028
<i>Expenditures:</i>				
Current:				
Operating Expenses	193,500	193,500	161,985	31,515
Travel	-	-	-	-
Gross Receipts Tax	-	-	-	-
Depreciation	-	-	-	-
Purchases for Resale	-	-	-	-
Contract Services	-	-	-	-
Salaries	-	-	-	-
Supplies	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	193,500	193,500	161,985	31,515
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	39,543	39,543
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	39,543	39,543
<i>Cash Balance - Beginning of Year</i>	-	-	125,372	125,372
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 164,915	\$ 164,915

STATE OF NEW MEXICO
TOWN OF ESTANCIA
WATER PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	361,652	361,652	293,661	(67,991)
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>361,652</u>	<u>361,652</u>	<u>293,661</u>	<u>(67,991)</u>
<i>Expenditures:</i>				
Current:				
Operating Expenses	191,066	191,066	164,394	26,672
Travel	1,000	1,000	591	409
Gross Receipts Tax	15,978	15,978	15,978	-
Depreciation	-	-	-	-
Purchases for Resale	-	-	-	-
Contract Services	-	-	-	-
Salaries	195,491	195,491	195,491	-
Supplies	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>403,535</u>	<u>403,535</u>	<u>376,454</u>	<u>27,081</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(41,883)</u>	<u>(41,883)</u>	<u>(82,793)</u>	<u>(40,910)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	41,883	41,883	-	(41,883)
Transfers In	-	-	-	-
Transfers Out	(31,814)	(31,814)	(31,814)	-
<i>Total other financing sources (uses)</i>	<u>10,069</u>	<u>10,069</u>	<u>(31,814)</u>	<u>(41,883)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	(31,814)	(31,814)	(114,607)	(82,793)
<i>Cash Balance- Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>36,033</u>	<u>36,033</u>
<i>Cash Balance- End of Year</i>	<u>\$ (31,814)</u>	<u>\$ (31,814)</u>	<u>\$ (78,574)</u>	<u>\$ (46,760)</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
METER DEPOSITS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	361,652	361,652	3,521	(358,131)
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>361,652</u>	<u>361,652</u>	<u>3,521</u>	<u>(358,131)</u>
<i>Expenditures:</i>				
Current:				
Operating Expenses	4,000	4,000	-	4,000
Travel	-	-	-	-
Gross Receipts Tax	-	-	-	-
Depreciation	-	-	-	-
Purchases for Resale	-	-	-	-
Contract Services	-	-	-	-
Salaries	-	-	-	-
Supplies	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>357,652</u>	<u>357,652</u>	<u>3,521</u>	<u>(354,131)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(357,652)	(357,652)	-	357,652
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(357,652)</u>	<u>(357,652)</u>	<u>-</u>	<u>357,652</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	3,521	3,521
<i>Cash Balance- Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>24,737</u>	<u>24,737</u>
<i>Cash Balance- End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,258</u>	<u>\$ 28,258</u>

STATE OF NEW MEXICO
TOWN OF ESTANCIA
COMBINED JOINT UTILITY PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	361,652	361,652	645,598	283,946
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>361,652</u>	<u>361,652</u>	<u>645,598</u>	<u>283,946</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Operating Expenses	370,067	370,067	328,077	41,990
Travel	1,838	1,838	1,429	409
Gross Receipts Tax	29,261	29,261	27,768	1,493
Depreciation	-	-	-	-
Purchases for Resale	-	-	-	-
Contract Services	-	-	-	-
Salaries	263,415	263,415	263,415	-
Supplies	51,865	51,865	37,161	14,704
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>716,446</u>	<u>716,446</u>	<u>657,850</u>	<u>58,596</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(354,794)</u>	<u>(354,794)</u>	<u>(12,252)</u>	<u>342,542</u>
<i>Other financing sources (uses)</i>				
Designated Cash	354,794	354,794	-	(354,794)
Transfers In	-	-	-	-
Transfers Out	(56,814)	(56,814)	(56,814)	-
<i>Total other financing sources (uses)</i>	<u>297,980</u>	<u>297,980</u>	<u>(56,814)</u>	<u>(354,794)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	(56,814)	(56,814)	(69,066)	(12,252)
<i>Cash Balance- Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>218,209</u>	<u>218,209</u>
<i>Cash Balance- End of Year</i>	<u>\$ (56,814)</u>	<u>\$ (56,814)</u>	<u>\$ 149,143</u>	<u>\$ 205,957</u>

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PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Estancia
Required Supplementary Information
June 30, 2016

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

*	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0337%	0.0292%
Town's proportionate share of the net pension liability (asset)	\$343,601	\$ 227,791
Town's covered-employee payroll	\$500,444	\$ 332,763
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.66%	68.45%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

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STATE OF NEW MEXICO
Town of Estancia
Required Supplementary Information
June 30, 2016

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION – POLICE**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0467%	0.0517%
Town's proportionate share of the net pension liability (asset)	\$ 228,887	\$ 168,536
Town's covered-employee payroll	\$ 163,626	\$ 194,837
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.88%	86.50%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

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STATE OF NEW MEXICO
Town of Estancia
Required Supplementary Information
June 30, 2016

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA Fund Division - General

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 53,254	\$ 13,372
Contributions in relation to the contractually required contribution	\$ 53,254	\$ 13,372
Contribution deficiency (excess)	-	-
Town's covered-employee payroll	\$ 500,444	\$ 527,600
Contributions as a percentage of covered-employee payroll	10.64%	2.53%

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

Note: The employee contribution is not included in the schedule.

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STATE OF NEW MEXICO
Town of Estancia
Required Supplementary Information
June 30, 2016

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA Fund Division - Police

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 44,085	\$ 29,663
Contributions in relation to the contractually required contribution	\$ 44,085	\$ 29,663
Contribution deficiency (excess)	-	-
Town's covered-employee payroll	\$ 163,626	\$ 194,837
Contributions as a percentage of covered-employee payroll	26.94%	15.22%

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

Note: The employee contribution is not included in the schedule.

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STATE OF NEW MEXICO
Town of Estancia
Required Supplementary Information
June 30, 2016

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five year period ending June 30, 2015, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2016

Schedule I

Name of Depository	Description of Pledged Collateral	Market Value June 30, 2016	Name and Location of Safekeeper
Wells Fargo Bank	FNMA FNMS 3.5% 3138ABHQ5, 3/1/2026	\$ 168,895	BNY Mellon New York, NY
Wells Fargo Bank	FNMA FNMS 3.5% 3138EJN6, 4/1/2042	2,496	BNY Mellon New York, NY
Wells Fargo Bank	FNMA FNMS 3.5% 31417EWE7, 2/1/2043	549,195	BNY Mellon New York, NY
Wells Fargo Bank	FNMA FNMS 3.5% 31417FNF1, 2/1/2043	3,324	BNY Mellon New York, NY
US Bank	FHLMC Gold Pool 31283KN46, 10/1/2017	191	Federal Reserve Bank Dallas, TX
US Bank	FNMA Pool AE9299 31419LKM4, 11/1/2025	20,836	Federal Reserve Bank Dallas, TX
My Bank	Luna Cnty NM Sch Dis 3.6% 550340DL4, 8/1/2016	25,080	Independent Bankers Bank Dallas, TX
		<u>\$ 770,017</u>	

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STATE OF NEW MEXICO
TOWN OF ESTANCIA
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2016

Schedule II

Bank Account Type/Name	State Employees					Total
	Wells Fargo	Federal CU	My Bank	US Bank	State Treasurer	
Meter Deposits- Checking w/Interest Public Funds	27,025	-	-	-	-	\$ 27,025
Investment Acct, Choice IV Public Funds- Checking	1,197,556	-	-	-	-	1,197,556
Payroll- Choice IV- Public Funds, Checking	49,013	-	-	-	-	49,013
Willis Bequest-Bus Mkt Rate Pub Funds (Savings)	233,574	-	-	-	-	233,574
Library Williams-Bus Mkt Rate Pub Funds (Savings)	8,980	-	-	-	-	8,980
Library Savings-Bus Mkt Rate Pub Funds (Savings)	8,907	-	-	-	-	8,907
USDA Police- Checking PF	700	-	-	-	-	700
CDBG	25,000	-	-	-	-	25,000
Savings Reserve Account-SECU	-	5,894	-	-	-	5,894
Certificate of Deposit- Wells Fargo	45,019	-	-	-	-	45,019
Certificate of Deposit- SECU	-	240,835	-	-	-	240,835
Certificate of Deposit: My Bank	-	-	257,344	-	-	257,344
Certificate of Deposit- US Bank	-	-	-	255,647	-	255,647
State Treasurer's Office	-	-	-	-	54,855	54,855
Total On Deposit	1,595,775	246,729	257,344	255,647	54,855	2,410,350
Reconciling Items	(32,861)	-	-	-	-	(32,861)
Reconciled Balance	<u>\$ 1,562,914</u>	<u>\$ 246,729</u>	<u>\$ 257,344</u>	<u>\$ 255,647</u>	<u>\$ 54,855</u>	<u>\$ 2,377,489</u>
Petty Cash						\$ 400
NMFA Cash						3,873
Total cash and investments at June 30, 2016						<u>\$ 2,381,762</u>

This amount is reflected in the financial statements as follows:

Cash and cash equivalents-Exhibit A-1	1,528,058
Investments-Exhibit A-1	853,704
	<u>\$ 2,381,762</u>

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STATE OF NEW MEXICO
 Town of Estancia
 Schedule of Vendor Information
 For the Fiscal Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFPI (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
6002	Town of Estancia	Municipalities	CDBG 15-C-RS-141-G-02	Competitive (RFP or RFB)	Bohannan Houston	Winner	\$ 78,820.33		7500 Jefferson St, NE Countryard One Albuquerque, NM 87109	No	No	Sewer Improvement	N/A
6002	Town of Estancia	Municipalities	CDBG 15-C-RS-141-G-02	Competitive (RFP or RFB)	Dennis Engineering	Winner	\$ 83,569.00		PO Box 909 Edgewood, NM 87015	No	No	Sewer Improvement	N/A
6002	Town of Estancia	Municipalities	New Estancia Well	Competitive (RFP or RFB)	Bohannan Houston	Winner	\$ 104,786.00		7500 Jefferson St, NE Countryard One Albuquerque, NM 87109	No	No	Architectural Services	N/A

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COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Town of Estancia
Estancia, NM

We were engaged to audit, 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 and the budgetary comparisons of the General fund and Special Revenue funds, of the Town of Estancia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Estancia's basic financial statements, and the combining and individual and related budgetary comparisons of the Town of Estancia, presented as supplemental information, and have issued our report thereon dated November 14, 2016. Our report disclaims an opinion on such financial statements because of the Town of Estancia was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Town's financial statements as of and for the year ended June 30, 2016, particularly with respect to the cash balances, capital assets and depreciation and current year activities; specifically for transactions that either did not clear the bank but were recorded in Quickbooks or for transactions reflected on the bank statement but not recorded in Quickbooks.

Internal Control Over Financial Reporting

In connection with our engagement to audit of the financial statements, we considered the Town of Estancia's internal control over financial reporting to determine the auditing 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 of Estancia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Estancia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal

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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. The material weaknesses are described as 2005-001, 2007-005, 2014-001, 2015-002, 2015-003, 2015-005, 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-023, 2016-024, and 2016-025.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies and are items described as 2014-003, 2015-001, 2015-004, 2016-019, 2016-020, 2016-021, and 2016-022.

Compliance and Other Matters

As part of obtaining reasonable assurance in connection with our engagement to audit the financial statements of the Town of Estancia, 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 2005-001, 2007-005, 2014-001, 2014-003, 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, 2016-020, 2016-021, 2016-022, 2016-023, 2016-024, and 2016-025.

Town of Estancia's Response to Findings

The Town of Estancia's responses to the findings identified in our engagement are described in the accompanying schedule of findings and responses. The Town of Estancia's responses were not subjected to 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 Town of Estancia'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 of Estancia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Precision Accounting LLC

Precision Accounting LLC
Albuquerque, New Mexico
November 14, 2016

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STATE OF NEW MEXICO
Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I – PRIOR YEAR FINDINGS:

2005-001 [05-01] Capital Assets – Repeated and Revised
2007-005 [07-05] Trial Balances – Repeated and Revised
2014-001 Cash Disbursements – Repeated and Revised
2014-003 Mileage and Per Diem – Repeated and Revised
2014-006 Payroll – Repeated and Revised
2015-001 Lack of control for Contracts
2015-002 Noncompliance with Procurement Process
2015-003 Lack of Controls over cash
2015-004 Noncompliance with revenue collection policy
2015-005 Lack of Controls over Payroll

Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.

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2005-001 [05-01] Capital Asset Depreciation Schedule – Material Weakness (repeated and revised)

Condition: The Town did not maintain a capital asset listing and related depreciation schedule for Town’s assets. The Town acquired an asset management plan in 2015. The Town made no progress with the implementation and maintenance of the capital asset listing.

Criteria: A capital asset listing and the related depreciation schedule is required by Generally Accepted Accounting Principles, GASB 34.177a and NMAC 2.20.1.15. In addition, control over the Town’s capital assets is exercised through the maintenance of a detail capital asset schedule.

Cause: The Town had not previously maintained an inventory of capital assets and related depreciation. In the fiscal year 2014 and 2015 the Town had implemented an asset management plan to obtain inventory of the Town’s properties and the Town is currently working to update the schedule and review the reasonableness and accuracy of the list.

Effect: The financial statements of the Town do not reflect accurate capital asset costs, the related accumulated depreciation or depreciation expense for the year.

Recommendation: We recommend that the Town obtain assistance in compiling an accurate capital asset listing and that the depreciation schedules are updated.

Client Response: The Town Clerk is currently working on compiling an accurate capital asset listing, including updated depreciation schedules. The Town expects this to be completed prior to the end of fiscal year end June 30, 2017.

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2007-005 [07-05] Trial Balances – Material Weakness (repeated and revised)

Condition: The Town utilizes QuickBooks for its accounting software. During our audit, we noted that the trial balance was not classified by fund in order to activity at the fund level. Additionally, there were discrepancies with the activity recorded in the bank and that recorded in QuickBooks, indicating a lack of internal controls over financial reporting. It appears that the Town does not have the skill set to properly oversee financial reporting preparation or oversight of the annual audit. Despite the fact that the Town hired a fee accountant and a new Town Clerk to process accounting transactions and to implement internal controls, there appears to be no progress made with the financial reporting and internal controls.

Criteria: Good accounting practices dictate that the Town's books should be maintained in such a way that a general ledger balances by fund. Also, reconciliation between QuickBooks and the bank should be performed and all discrepancies should be researched and corrected to appropriately reflect the transactions. SAS 115 requires that the Town be able to accept responsibility for the preparation and oversight of the audit report.

Cause: The Town did not utilize good accounting practices to ensure that all reports and balances reconciled with the general ledger and tracking of accounts at the fund level. Town Employees lack the skill set necessary for proper financial reporting preparation and oversight of the audit.

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. In addition, the Town appears to be out of compliance with Statement of Auditing Standard 115 which requires personnel to be able to accept responsibility for the preparation of financial reporting and for oversight of the audit.

Recommendation: The Town can 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.

Client Response: The Town has purchased a new accounting software system that will encompass all transactions into one file at the fund level and ensure that each fund is self-balancing. Implementation is being done by the Town Clerk. We expect this to be completed by June 30, 2017 fiscal year end.

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2014-001 Lack of Internal Controls in Cash Disbursements and Cash Receipts – Material Weakness (repeated and revised)

Condition: During our test work, we noted the following issues:

In the test work of Cash disbursements, we noted twenty (20) invoices where the purchase order was authorized after the invoice was received. Also, within the samples tested, we noted that eight (8) invoices had inadequate or did not have any supporting documents associated with the purchase and eleven (11) instances where the transactions were coded to the incorrect general ledger account number. Additionally, we noted seventeen (17) instances where the P.O. was not authorized by town officials, thirty- six (36) transactions that did not have a Purchase order or contract, twenty-one (21) transactions where the invoice or check amount exceed the accompanying purchase order, and fifty- two (52) transactions that the town was unable to provide. These result in a total of 165 errors over a sample of two hundred and eighty- six (286) transactions tested. The projected error rate is 57.7% or six hundred and forty- seven (647) errors over a disbursement population of one thousand one hundred and twenty two (1122) invoices.

In the test work of Cash receipts, we noted that three (3) of the forty (40) transactions tested had no supporting documentation for monies received. Cash is decentralized where each department maintains their own receipt logs. Without supporting documentation, we were unable to determine whether monies were receipted and recorded accurately. We were only able to trace deposits to the bank statements for those monies received. This resulted in a total of three (3) out of forty (40) receipts with errors. The projected rate of error is 1% projected over a total population of one thousand four hundred and seventeen (1417) could result in a total of one hundred and six (106) potential errors. Although the Town is working on this, there has been no significant progress.

Criteria: NMSA 1978 section 6-5-2 states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Cause: The Town has no internal controls for cash disbursements or cash receipts.

Effect: With the lack of internal controls for cash disbursements, improperly account coding and preparation of purchase requests can cause over-budget issues and violate current procurement regulations. As for the lack of internal controls for cash receipts, it is difficult to determine whether the amount of monies received and deposited were intact which can lead to unaccounted and untimely deposits.

Recommendation: The Town should have written policies on internal controls for cash disbursements and receipts. The Town should implement those policies and procedures and properly train all staff and personnel on those policies and procedures. The Town is encouraged to have all personnel in charge of preparing, reviewing, and approving disbursements perform a review of all supporting documents to ensure accuracy and appropriate payments for purchases and reimbursements. Additionally, the Town should monitor the process on handling monies for all departments.

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Client Response: The Town agrees with the above mentioned recommendation. The Town Clerk is obtaining written policies and procedures on internal controls for cash disbursements and receipts. These policies and procedures will be obtained, implemented and monitored before the end of June 30, 2017 fiscal year end.

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2014-003 Mileage and Per Diem - Control Deficiency (repeated and revised)

Condition: During our test work of travel and per diem, we noted thirteen (13) vouchers out of forty- two (42) vouchers tested that the town could not provide. We noted four (4) vouchers that did not have adequate support documentation, three (3) disbursements where the town paid the incorrect amount (1 actual & per diem both, 2 actuals selected but did not pay actuals), and one (1) disbursements where it appears the employee was reimbursed twice. The result presented an error rate of 50 %. Although the Town is working on this, there has been no significant progress.

Criteria: Per Department of Finance Authority Rule 95-1 any actual travel reimbursement expenses must contained documentation of itemized receipts. DFA 95-1 suggests that an agency should adopt a consistent travel reimbursement method, either by using per diem rates or actual expenditures when reimbursing travel expenditures and that deviation from the normal practice is approved by the board on a case by case basis.

Cause: The cause may be related to an oversight of review and approval process of travel and per diem reimbursements by management.

Effect: Without having proper authorization for travel reimbursements, this is in violation of the state statute. Also, overriding procedures on the proper authorization for the travel reimbursements could cause over budget issues and unacceptable reimbursements to be processed.

Recommendation: The Town is encouraged to have all personnel in charge of reviewing and approving travel reimbursements, perform a review of all supporting documents, including authorizations for such travels, to be reimbursed. All staff and employees should be trained on initiation and reimbursement processes for travel from appropriate policies and procedures and state statute.

Client Response: The Town is implementing a new form for travel reimbursements that should help aid in the proper reporting of travel. The Town will train management and personnel in the proper procedures for travel reimbursement. This will be completed before the end of June 30, 2017.

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2015-001 No Contracts on file for service contractors - Significant Deficiency, (repeated and revised)

Condition: The Town did not have contracts on file for three (3) independent service contractors. Although the Town is working on this, there has been no significant progress.

Criteria: NMAC 1978 section 1.4.1 “State Purchasing Regulations” indicate that proper procurement procedures should be in place, including executive of procurement contracts, in order to ensure that appropriate purchases are obtained for the business operations. Sound business practices also apply as this presents risk mitigation and assessments.

Cause: Management did not maintain renewal service contracts or obtain updated contracts as necessary on an annual basis.

Effect: Failure to obtain written and signed contracts with independent service contractors could place the Town at risk and liabilities for service payments or accidents that would be mitigated under contract agreement and conditions. In addition, it does not allow the Town to monitor costs with service contractors if services are not completed within time frame of projects, which can lead to over budgeted projects or insufficient funding for such projects or services.

Recommendation: The Town is encouraged to maintain agreements and related documentation of all professional, independent contractors. This will allow the Town to budget for these expenses.

Client Response: The Town Clerk will obtain contracts for all professional, independent contractors as required by the New Mexico State Purchasing Regulations. This will be completed by June 30, 2017.

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2015-002 Noncompliance with Procurement Process – Material Weakness, (repeated and revised)

Condition: During our test work of bids for service contracts, we identified four (4) vendors where payment for services were more than \$60,000 for the fiscal year 2015-2016. This professional service was more than \$60,000 in one year, and was not conducted through the appropriate procurement process. No written bid proposals for the service was documented or performed by the Town. Also, the Town currently has no chief procurement Officer assigned and has not completed the procurement officer training course. Although the Town is working on this, there has been no significant progress.

The Town provided supporting documentation for two vendors after the report was submitted to the State Auditor for review. This support would reduce the number of identified instances down from four (4) instances to two (2) instances of non-compliance.

Criteria: NMAC section 1.4.1, NMSA 1978 sections 13-1-1 to 13-1-199 and NMSA 1978 section 13-1-95.2 states that all purchasing contract services greater than \$60,000 must be accompanied with written bid proposals. This also includes assignment of a chief procurement officer and obtaining updated procurement regulation training.

Cause: Unknown

Effect: The Town is in violation of the state statute regarding procurement processes, rules and regulations.

Recommendation: The Town is encouraged to have all personnel in charge of reviewing and approving purchases to perform a review of the state statute regarding procurement rules and regulations ensuring compliance with procurements of services and other purchases.

Client Response: The Town Clerk will assign and train a procurement officer to assist in adherence to the state procurement regulations. This will be completed before the end of June 30, 2017 fiscal year end.

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2015-003 Lack of Cash Controls - Material Weakness, (repeated and revised)

Condition: During our audit, PALLC performed a random petty cash count. The total petty cash was to equal \$200.00 but after counting what the Town Clerk had on hand, the petty cash was \$20.00 over. The utility petty cash drawer is only supposed to have \$100.00 but upon our petty cash count PALLC noted that the drawer was \$50.00 over. It was also noted that during PALLC's cash testwork the cash per the bank does not agree to the recalculated cash by fund in total by \$60,995. Total cash and investments per the bank and the Town's general ledger did not match the report sent to DFA for the last quarter by \$4,657.23. The total cash in the bank is higher than the amount recorded in the Town's general ledger by \$15.78. Although the Town is working on this, there has been no significant progress.

Criteria: NMSA 1978 sections 6-10-1 to 6-10-63 require proper management, handling and accountability of cash. This includes good accounting practices and generally accepted accounting practices require that the bank balances be reconciled appropriately to the general ledger.

Cause: Unknown

Effect: Unexplained discrepancies are present without documentation of reasons or audit trail. The fund balances are not being recorded properly and reports sent to DFA include understated revenues and expenditures.

Recommendation: We recommend that the petty cash be reconciled at month end of every month and be compared to the general ledger. Along with reconciling cash every month we recommend that the Town implement policies to follow good accounting procedures to document and record revenues and expenditures properly.

Client Response: The Town Clerk will verify that all reconciliations trace to the general ledger on a monthly basis. The Office of the State Auditor will be notified of the unusual and significant discrepancies observed during the audit. This will be completed immediately.

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2015-004 Noncompliance with revenue collection policy - Significant Deficiency, (repeated and revised)

Condition: During the performance of test work of Utility Billing we noted seventeen (17) instances totaling \$1,406.15 where utility rates were not accurately applied. We also noted that one (1) adjustment was made to reduce the bill to \$0.00 on a customer utility account without proper authorization and/or appropriate supporting documentation. Although the Town is working on this, there has been no significant progress.

Criteria: The Municipality of Estancia Ordinance for Amending Fees, Assessments and Charges Related to Water Usage No. 9-8-2 and Fees, Assessments and Charges Related to Sewer Usage No. 9-8-4. These ordinances state the rates for the water and sewer usage effective as of August 1, 2013 and states:

“In order to allow the utility to keep up with inflation without the need for annual rate studies, the Board of Trustees finds that it is necessary to institute an automatic rate adjustment. Effective for bills sent on or after August 1, 2014, and on bills sent on or after August 1 of each year thereafter, each of the foregoing rates shall automatically increase by 3% from the previous year, unless the Board of Trustees has, by the first meeting in June of the previous year, suspended or adjusted the amount of the automatic increase for the upcoming year.”

Cause: It appears that the water and sewer utility usage rate increase of three percent (3%) may not have been updated correctly in the UBMAX utility billing system to correspond with the Municipality of Estancia Ordinances. It appears that the Town was performing adjustments to customer utility accounts without having proper supporting documentation and/or proper authorization.

Effect: The Municipality of Estancia Ordinance for Amending Fees, Assessments and Charges Related to Water Usage No. 9-8-2 and Fees, Assessments and Charges Related to Sewer Usage No. 9-8-4. The Town could potentially have inaccurate customer billings and potential financial loss, by not changing the utility billing rates to correspond with the Municipality of Estancia Ordinances.

Recommendation: The Town’s Board of Trustees has an approved The Municipality of Estancia Ordinance for Amending Fees, Assessments and Charges Related to Water Usage No. 9-8-2 and Fees, Assessments and Charges Related to Sewer Usage No. 9-8-4 and Town management and all personnel should strictly adhere to the policy. The Town management should ensure that the utility billing rates in UBMAX coincides with what is applicable per the ordinances. We recommend any adjustments made to customer utility accounts should be documented properly and have appropriate authorization.

Client Response: The Town Clerk will adhere to the enacted ordinance for Collection of Unpaid and Overdue Charges and train personnel accordingly. Written documentation will be maintained in a customer delinquency file. This will be implemented immediately.

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2015-005 Lack of Controls over Payroll Ledger - Material Weakness, (repeated and revised)

Condition: The Town utilizes a separate QuickBooks accounting record for payroll transactions. We noted that the journal entry to record the payroll information from one set of QuickBooks to the other is being done incorrectly resulting in discrepancies. The non-payroll General Ledger reflect \$23,724.61 more than the payroll General Ledger. Although the Town is working on this, there has been no significant progress.

Criteria: NMSA 1978 section 6-5-2 “Internal Controls” states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

Cause: Management has two sets of QuickBooks, one for payroll and one for all other accounting records. Management did not ensure proper accounting practices, when conducting payroll transfers between, the payroll QuickBooks accounting file and the general ledger QuickBooks accounting file.

Effect: Separate files between payroll and the General Ledger can cause confusion and lead to inaccurate recordkeeping in the Town’s accounting records.

Recommendation: The Town should consolidate the payroll QuickBooks accounting file and the General Ledger QuickBooks file. QuickBooks accounting software has the capabilities of conducting payroll transactions within the same file.

Client Response: The Town will be converting to a new accounting software before the end of the June 30, 2017 fiscal year end. The new program, Caselle, will be able to accommodate us in setting this payroll account up ensuring proper accounting procedures.

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2016-001 – Lack of Town Policies and Procedures, Material Weakness, (repeated from 2016 Special Investigation and revised)

Condition: The Town does not have written policies and procedures for computer use, cash handling, bank reconciliations, procurement, utility billing and payroll. Although the Town is working on this, there has been no significant progress.

Criteria: Town management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Town. The “Green Book” sets the standards for effective internal control systems for federal agencies and may also be appropriate for adoption by state, local, and quasi-governmental entities as a framework for an internal control system.

Cause: It is unclear why the Town is missing pertinent policies and procedures; however, the Town has experienced frequent personnel changes at the Town Clerk position which may have impeded the Town from dedicating resources to creating policies and procedures, since the Town’s focus was completing day-to-day duties to keep the Town operating.

Effect: The internal control structure is inadequate and not documented which leaves management and staff unsure about what procedures and processes to follow to properly safeguard assets. Internal control weaknesses can allow errors to go undetected and also provide the opportunity for individuals to commit fraudulent activity without detection. Failure to implement effective internal control increases the Town’s exposure to theft and misappropriation of funds.

Recommendation: The Town needs to develop a policy manual regarding computer use, cash handling, bank reconciliations, procurement and utility billing.

Client Response: The Board of Trustees were unaware that these policies and procedures were not in place and understands the importance of policy and procedures for computer use, multi-media, cash handling, bank reconciliation, procurement and utility billing. The Board has recently adopted a comprehensive procurement policy. The Clerk/Treasurer will begin developing policy manuals specifically for computer use, cash handling, bank reconciliation, utility billing and other policies that are required by law and that would be instrumental in the operation of the Town government.

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**2016-002 – Lack of Internal Controls and Improper Access Controls, Material Weakness,
(repeated from 2016 Special Investigation)**

Condition: The Town’s accounting system and utility billing system has universal login IDs and passwords with Administrator level access. The universal login IDs and passwords are not changed after an employee leaves the Town which may permit unauthorized access by prior employees. Additionally transactions cannot be traced to individual employees for accountability. Although the Town is working on this, there has been no significant progress.

Criteria: Good accounting practices include segregation of duties and proper access restrictions to limit the Town’s exposure to misappropriation of funds, fraud, or errors.

Cause: It is unclear why the Town does not require employees to have separate login IDs and passwords which restrict user access appropriately depending on that employee’s job duties and responsibilities.

Effect: Administrator level access gives employees the ability to adjust transactions at any time and delete transactions entirely from the accounting and utility billing systems. The ability to process transactions while having administrative rights is considered a segregation of duties violation as it gives an individual the ability to circumvent controls set up in the accounting and utility billing systems.

Recommendation: The Town has stated that in FY 2017 the Town will move to a new accounting system with greater access controls. However, until such time we recommend the Town immediately create separate login IDs and passwords for each employee. The Town should contact the software vendor and examine the user access levels and identify methods for appropriately restricting access while also allowing personnel to perform their duties.

Client Response: Current Administration will begin examining user access levels in the utility and accounting software to restrict user access and to limit the Town’s exposure to misappropriation of funds, fraud, or errors. Once the Town moves to its new accounting system, Caselle, there will be internal controls within the software to track what functions employees are performing within the accounting and utility software. Until such time any adjustments made to the utility accounts, monetary or reading adjustments, will be approved by the Clerk or the Deputy Clerk with documentation for backup.

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2016-003 – Mismanagement of Pooled Cash, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town's pooled cash system has not been reconciled to cash by fund, creating many year over year variances between audited cash and cash reported to the New Mexico Department of Finance and Administration (DFA). The largest variances appear in the general fund and the joint utility fund. Although the Town is working on this, there has been no significant progress.

Criteria: §6-6-3 (A), (B), (C) NMSA 1978 - Every local public body shall keep all the books, records and accounts in their respective offices, make all reports and conform to the rules and regulations adopted by the local government division. §3-12-3(A) 3 NMSA 1978 - The governing body of a municipality having a mayor-council form of government shall manage and control the finances and all property, real and personal, belonging to the municipality. §10-5-2 (B) NMSA 1978 - The secretary of finance and administration may summarily suspend any official of any local public body in all cases where an audit reveals fiscal management of an office resulting in violation of law or willful violation of the fiscal regulations. Town Ordinance 9-1-4 - The Town Clerk must keep records of all utility bills and receipts provided to customers, and they must collect and deposit all proceeds collected from the utility bills into the appropriate utility fund account.

Cause: It is unclear why the Town does not properly reconcile pooled cash to cash by fund or why the governing body continuously certified unreconciled cash as accurate.

Effect: The Town's Board of Trustees approved and certified inaccurate information. The Board may have violated section 6-6-3 NMSA 1978 by continually certifying cash by fund on the fourth quarter report and the final budget that does not materially tie to the audited financial statements. The governing body's certification of incorrect reports may have influenced DFA's Local Government Division's decisions to approve expenditures in excess of actual available cash, projected revenues and required reserves. The Town may or may not have the cash and revenues needed to provide the basic government mandated services required for the safety and health of its residents.

Recommendation: The Town should develop and implement policies and procedures regarding cash management, account reconciliations and required backup documentation for the governing body. Additionally, the Town may want to consider creating separate bank accounts to facilitate accurate fund accounting. Audited cash should be reconciled to cash certified to DFA at the completion of each annual financial statement audit.

Client Response: The Board of Trustees has been given inaccurate information for a number of years. The Board is dependent on the Clerk/Treasurer to provide accurate and balanced financials. With lack of understanding of the financial documents that were being presented to them, the Board of Trustees unknowingly approved unbalanced financial statements. In November 2014 the Board of Trustees appointed the current mayor, Sylvia Chavez. Mayor Chavez chose not to reappoint the Clerk/Treasurer. The Town hired a CPA to begin addressing the Town's inaccurate financial information. The current Clerk/Treasurer was appointed in December, 2015. The cash and investments reported in the 2014-15 audit, which was performed

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by Precision Accounting LLC, and the approved 2015-16 approved budget were the numbers used as beginning cash balances by fund for fiscal year 2015-16. The ending balances have been brought forward as beginning cash balances in the new 2016-17 budget. Monthly and quarterly reports will be reviewed with the Board so that they are kept informed of the Town's financial position.

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2016-004 – Bank Reconciliations – Material Weakness (repeated from 2016 Special Investigation and revised)

Condition: The Town has several bank accounts which are not being reconciled. The Town had several payroll bank reconciliations where the ending cash amount did not match the amount in the general ledger. Additionally, bank reconciliations are not being reviewed consistently throughout the year and including the New Mexico Department of Finance and Administration (DFA) account. Bank reconciliations are not being done in a timely manner; bank accounts are being reconciled five months. Although the Town is working on this, there has been no significant progress.

Criteria: 2.2.2.10.D NMAC – The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. § 6-10-2 NMSA 1978 – A cash record must be maintained listing all items of receipts and disbursements of public money. The cash record must also be balanced daily to show the balance of public money on hand at the close of each business day.

Cause: It is unclear why employees are not reconciling all bank accounts timely or accurately.

Effect: The Town is not maintaining adequate controls over cash to safeguard cash or facilitating prompt and accurate reporting to the New Mexico Department of Finance and Administration (DFA). This can also cause transactions to be unaccounted for within funds.

Recommendation: The Town should perform complete and accurate bank reconciliations for all accounts relating to the Town at month end and assign another member of management the responsibility for reviewing each month's reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation more difficult and time consuming.

Client Response: Since late October 2014, all bank statements have been and are being reconciled on a monthly basis by a member of management that is not responsible for writing checks and recording revenues and will be responsible for bank reconciliations. This will limit the Town's exposure to misappropriation of funds, fraud, or errors.

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2016-005 – Wasteful Spending of Taxpayer Dollars, Material Weaknesses, (repeated from 2016 Special Investigation)

Condition: The Town paid a monthly bank fee on numerous occasions for not maintaining the minimum required balance. The Town is paying the minimum water bill to its joint utility fund each month for a separately metered bathroom at Town Hall where the water was shut off years ago. Additionally, On twelve (12) occasions the Town wastefully spent tax payer dollars. The town spent tax payer dollars on birthday celebrations and decorations for parades. Although the Town is working on this, there has been no significant progress.

Criteria: §3-37-2 (A) NMSA 1978 – The Board of Trustees shall maintain control of the finances and property of the Town. Principle 8 the United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (the Green Book) definition of waste: the act using or expending resources carelessly, extravagantly, or to no purpose.

Cause: It is unclear why the Town chose to open a bank account that required a minimum balance or why the Town Clerk never uncovered that the Town was paying unnecessary fees on this account and closed the account sooner. It is unknown why the Town did not close the Town Hall bathroom water utility account immediately after discovering the water had been shut off. Additionally it is unknown why the Town is spending tax payer dollars on parades and birthday celebrations.

Effect: Wasteful, inefficient, or nonessential use of resources is not in the best interest of the Town or its taxpayers and the Town is not fulfilling its responsibilities for prudent fiscal oversight.

Recommendation: The Town should monitor all bank fees charged to determine which fees are avoidable. The Town should also close the water utility account for the separately metered Town Hall bathroom. The town should also immediately terminate all wasteful spending of dollars on office parties and parades.

Client Response: The Town of Estancia has one bank and is very limited to options. Management will review all bank accounts and monitor minimum balance requirements and bank fees to avoid unnecessary charges.

The staff responsible for utility billing was not notified that the water meter had been closed therefore, allowing for continued monthly charges. Office staff will audit the water, sewer and trash charges on a yearly basis to ensure accurate billing and collections.

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2016-006 – Timeliness of Due to/Due From Reversals, Material Weakness, (repeated from 2016 Special Investigation)

Condition: Several inter fund balances on the Town’s financial statements have remained unchanged from FY 2012 through FY 2015. Additionally, the Town was unable to provide any documentation for what amounts were actually owed to the joint utility fund or what the repayment terms might be. Although the Town is working on this, there has been no significant progress.

Criteria: Generally Accepted Accounting Principles

Cause: It is unclear why the interfund balances have not been reconciled however; it is most likely the result of staffing shortages, turnover, and lack of training.

Effect: The Town’s financial statements for several years may be inaccurate or misleading. The Town’s lack of internal controls and monitoring increase the risk for fraud, waste and abuse of Town resources.

Recommendation: We recommend the Town properly train its accounting personnel on accounting practice requirements pertaining to due to/due from reversals.

Client Response: Due to/due from reversals will be done during the fiscal year to track accurate accounting of cash by fund balances.

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2016-007 – Interfund Transfers That Do Not Balance, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town’s governing body approved cash transfers between funds where the total amount of the transfers between funds did not net to \$0. Although the Town is working on this, there has been no significant progress.

Criteria: Governmental Accounting Standards Board Statement 34 paragraph 112 - Interfund transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. Good accounting practices require that the amounts transferred between funds should balance.

Cause: It is unclear why the Town’s governing body approved transfers that did not net to \$0.

Effect: The financial statements are inaccurate and misleading. The Town’s governing body may have violated section 10-5-2 NMSA 1978 by approving interfund cash transfers that did not balance. These transfers changed the Town’s overall cash balance on DFA’s fourth quarter reports.

Recommendation: We recommend the Town’s governing body review all reports they certify more closely, ask questions about any unusual items noted, and request additional documentation for questionable amounts.

Client Response: All quarterly and budget reporting will be balanced before approval by the Board of Trustees and sent to DFA for approval.

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**2016-008 – State Law Compliance Governmental Gross Receipts Tax, Material Weakness,
(repeated from 2016 Special Invesetigation)**

Condition: The Town’s utility billing system is not consistently calculating governmental gross receipts tax or charging customers the appropriate tax rate. Although the Town is working on this, there has been no significant progress.

Criteria: §7-9-3.2 (A) (5) NMSA 1978 defines “governmental gross receipts” to include receipts from the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the state.

Cause: The utility billing system is not configured to correctly charge gross receipts tax on late charges. The utility billing system does not automatically update the tax amounts after any type of billing adjustment is made. Furthermore, the Town lacks internal control policies to ensure that all adjustments made to the utility billing system are allowable and are calculated and processed correctly.

Effect: The Town does not appear to be collecting the proper amount of governmental gross receipts tax to remit to the New Mexico Taxation and Revenue Department.

Recommendation: The Town has stated that in FY 2017 the Town will move to a new utility billing system. Until such time the Town should immediately contact the utility billing system vendor to request that the system be reconfigured to charge gross receipts tax on late fees and investigate any tax calculation errors. The Town should determine the amount of uncollected gross receipts tax derived from late charges over the years. The Town should consider entering into a managed audit program with New Mexico Taxation and Revenue Department to avoid penalties.

Client Response: The Town provides utility services; water, sewer and trash. Governmental gross receipts should be charged for these services. At this time, this has been corrected in the utility program and the correct tax is being charged and reported to taxation and revenue.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-009 – State Law Compliance Anti-donation Clause, Material Weakness, (repeated from 2016 Special Investigation and revised)

Condition: The Town purchased gift cards on two separate occasions and there was no supporting documentation for these purchases. The Town also wrote off a customer’s late fee because of a “death in the family”. The Town purchased food and supplies for multiple administrative celebrations (birthdays, new hire bbqs, etc.) This violates the anti-donation clause by using tax payers dollars for a personal gain. Although the Town is working on this, there has been no significant progress.

Criteria: Article IX, Section 14, the New Mexico Constitution (Anti-Donation Clause)

Cause: The Town lacks internal controls to ensure that the Town is compliant with laws and regulations.

Effect: The Town may have violated the anti-donation clause.

Recommendation: The Town needs to develop policies and procedures for permissible utility billing adjustments, if any, and the Town needs to train employees about the anti-donation provisions of the State of New Mexico Constitution.

Client Response: The Town sponsors an annual 4th of July celebration and in the past, gift cards were purchased for prizes. Supporting documentation for all purchases will be kept and recorded. All expenditures and voided checks will be recorded in the bank accounts. The Town will follow its utility ordinances and develop policies and procedures for utility billing adjustments if applicable. Employees are being training of what documentation is needed when billing adjustments are required. Management will begin addressing an internal control policy.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-010 – Improper Use of Procurement Cards, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town was missing purchase orders, had purchase orders signed after the fact, had transactions missing receipts entirely, and purchased food for council meetings on numerous procurement card transactions tested. Additionally, the town has issued two employees procurement cards and allows those same employees to reconcile their own monthly statements. The town also purchased birthday cakes and bbqs on numerous procurement card transactions tested. Although the Town is working on this, there has been no significant progress.

Criteria: The Town does not have a procurement policy or procedures for procurement card use. The Town does not qualify for exemptions under the procurement code, and the Town must follow the state Procurement Code and follow the DFA's guidance on procurement card purchases. §13-1-1 to 13-1-199 NMSA 1978 - Procurement Code. §13-1-169 NMSA 1978 - requests for procurement shall contain a statement of need and the general characteristics of the item.

Cause: The Town does not have a policy regarding purchases with a procurement card and did not default to the state Procurement Code in violation of the law.

Effect: The Town may have violated the state Procurement Code. The Town's lack of policies and procedures increases the Town's exposure to employee misappropriation of funds, fraud, waste and abuse.

Recommendation: The Town needs to develop policies and procedures that comply with the State Procurement Code and until such time the use of the procurement card should cease.

Client Response: The Board of Trustees has implemented a procurement policy. Credit Card purchase will be strictly scrutinized to decrease the Town's exposure to employee misappropriation of funds, fraud, waste and abuse.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

**2016-011 – Comingling of Joint Utility Funds and the General Fund, Material Weakness,
(repeated from 2016 Special Investigation)**

Condition: The Town has not consistently allocated expenditures properly between the joint utility fund and the general fund. The Town has at least three loans that are being paid with the wrong revenue source from the wrong fund. The Town has at least two employees, the maintenance foreman and the billing clerk, whose time is not being properly allocated between the funds or not allocated at all. Both employees' salaries are charged to the joint utility fund; however, their day-to-day tasks include general fund activities and street fund tasks. Although the Town is working on this, there has been no significant progress.

Criteria: Governmental Accounting Standards Board Statement 34 paragraph 67 - The joint utility fund is an enterprise fund and by definition establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Fees for enterprise fund services charged to customers should include the cost of providing the service, amounts to cover associated debt service, and other amounts to set aside for expansion, replacement or long-term upgrades.

Cause: The Town uses an accounting system designed for small businesses that was not designed for fund accounting. This accounting system does not provide a set of self-balancing accounts that will recognize the separate legal and budgetary identity of each fund. Additionally, because the Town uses a pooled cash system, internal controls are difficult to implement to prevent inadvertent cross fund transactions. Due to the chronic mismanagement of cash, the Town does not have a clear picture of general fund revenues and expenditures or utility fund revenues and expenditures. The Town Clerk also stated that employee salaries would continue to be paid out of the joint utility fund because the general fund did not have sufficient funds.

Effect: The joint utility fund expenditures appear overstated, governmental fund expenditures appear understated, and the financial statements in general are misleading and inaccurate. Loan terms and conditions appear to have been violated which exposes the Town to potential legal ramifications.

Recommendation: The Town should implement a time reporting policy that requires employees to allocate time spent working on projects between funds on a daily basis. The Town should review all outstanding loan documentation and verify the repayment requirements, review all prior loan payments and identify any corrections that should be made between funds.

Client Response: Management will review outstanding loan documentation and verify repayment requirements. Loan payments will be paid out of the correct fund. The Deputy Clerk oversees the utility billing. She is also responsible for accounts payable and other duties for both the utility fund and general fund. Her salary is charged to the utility fund. The Administrative Assistant produces the monthly utility billing and many other functions that are specifically related to the utility fund. The Administrative Assistant's salary is charged to the general fund. The Maintenance Foreman oversees many municipal job duties: water, sewer, parks, and maintenance of roads. His salary is taken out of the water department. If these salaries or a portion were to be charged to the general fund this would jeopardize other necessary general fund life safety services such as police, fire and ambulance.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-012 – Noncompliance with Town Ordinances, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town has not consistently applied provisions of their own ordinances to customers in the following ways:

- Town ordinance states water will be charged a late fee after the due date; however, the Town is currently charging late fees on all utility services including sewer and garbage.
- Partial payments are not being charged late fees on outstanding balances.
- Customer bills not paid within 30 days are not having their utilities shut off.
- Late fees are not being consistently charged to accounts that did not pay by the due date.
- In some instances, we noted no late fees were charged for over a year on certain delinquent accounts.
- Delinquent accounts with outstanding balances whose utilities were shut off are getting their utilities turned back on in spite of the debt outstanding and not paying the reconnect fee.
- Meters are not being read for all accounts monthly resulting in some accounts being charged for zero water usage rather than the actual or estimated usage for that month.
- We noted sewer and garbage rates were increased annually, however the Town ordinance only specifies that water will receive a 3 percent increase.

Although the Town is working on this, there has been no significant progress.

Criteria: Town Ordinance 9-8-2 - “If water bill is not paid by the 20th of the month in which the bill is received, a late fee of 25% of the total bill will be assessed. An additional 25% will be assessed for each month that the bill remains unpaid.” Town Ordinance 9-1-7 - “The town may, without notice, discontinue utility services to any premises for which charges are delinquent for a period of thirty (30) days.” Town Ordinance 9-1-3 - The clerk shall keep record of all receipts and records provided to customer, create all bills and collect and deposit all funds into the appropriate utility fund account. Article IX, Section 14, the New Mexico Constitution (Anti-Donation Clause).

Cause: It is unclear why employees are not implementing Town Ordinances as intended by the governing body.

Effect: The Town does not appear to be complying with ordinances as enacted by the Town’s governing body. The Town may have violated the anti-donation clause by not reading meters of all accounts on a monthly basis and by charging some customers late fees while not charging other customers late fees.

Recommendation: The Town should review ordinances and make clarifications as needed to late fees, business days or calendar days and when utilities will be shut off. The Town should develop procedures for meter reading to include monitoring to ensure that all meters are being read. The Town should properly train all employees on the importance of implementing provisions specified by Town Ordinances.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Client Response: The Board will review its utility ordinances and clarify late fees, business days or calendar days, shut off procedures, lien filings, and that the ordinance reflects that late fees are applied to all outstanding balances including water sewer and garbage. The Board will also include in its review, procedures for meter reading to include monitoring that all meters are being read on a monthly basis. The Town will likewise develop policies and procedures for utility billing adjustments, if applicable. The ordinance will be amended to include the annual 3% increase to include the sewer. The trash will be increased accordingly if the company providing trash service to the town, assess a CPI increase. Since late 2014, it is the practice of the current administration to treat all residents equally and fairly and in accordance to the Town's ordinances.

STATE OF NEW MEXICO
Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-013 – Account Miscoding, Material Weakness, (repeated from 2016 Special Investigation and revised)

Condition: The Town has incorrectly coded transaction from the utility billing system into the general ledger. The Town miscoded numerous revenue entries including incorrectly posting unearned revenue as revenue. The Town coded a customer's meter deposit as utility charges and late fee income rather than a liability. The Town on numerous occasions miscoded disbursements to improper funds or accounts. Purchase Orders are not being coded respectively, therefore causing miscoding of disbursements. Although the Town is working on this, there has been no significant progress.

Criteria: NMAC 2.2.2.10.D - The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America.

Cause: The Town's deputy clerk stated that the previous billing clerk taught her that any unapplied balances of a customer should be booked as water sales income. The cause of the miscoding appears to be a lack of training.

Effect: The Town's general ledger and financial statements were misleading and did not accurately reflect liabilities and expenses.

Recommendation: We recommend the Town review utility payment transactions posted to the general ledger to ensure that overpayments by customers are properly booked as a liability until the revenue is earned. We recommend the Town review disbursements posted to the general ledger to ensure that all expenses and liabilities are being properly recorded. We also recommend that the Town give additional training with regard to account coding.

Client Response: Monthly fuel purchases are being reviewed by staff on a monthly basis monitoring for fraud, waste and abuse.

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Town of Estancia
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Year Ended June 30, 2016

2016-014 – State Fuel Cards, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town issues fuel cards to individual employees. Mileage logs are insufficient and only record the employee name, mileage at time of fill up, and total gas purchased. The Town is not reviewing the miles per gallon report and the Town is not reviewing how often employees fuel up. In addition support documentation for purchases is missing for numerous expenses. Although the Town is working on this, there has been no significant progress.

Criteria: 1.5.3.11 NMAC, Vehicle Mileage log should include the date, employee name, beginning and ending mileage, destination, purpose of trip, type of fuel purchased, number of gallons purchased, total fuel cost, other vehicle related purchases, and a place for a supervisor to make verifications.

Cause: The Town's lack of policies and procedures.

Effect: The Town's lack of internal controls and monitoring increase the risk for fraud, waste and abuse of Town resources.

Recommendation: The Town should issue fuel cards to specific vehicles; update the mileage and maintenance logs to comply with the New Mexico Administrative Code, and the Town should create a policy pertaining to the use of fuel cards and the monitoring of the fuel cards.

Client Response: Monthly fuel purchases are being reviewed by staff on a monthly basis monitoring for fraud, waste and abuse

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Year Ended June 30, 2016

2016-015 – Unrecorded Transactions, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town has not consistently recorded all financial transactions in the general ledger noted in the following ways:

- Bank fees paid by the Town could not be located as expenditures in the general ledger.
- Deposits could not be located for numerous checks issued by the Town to the Town's library fund.
- Merchant processing fees were not recorded as expenditures or amounts were recorded in amounts higher than the statement showed.
- Deposits for numerous loan disbursements to the town could not be located in the general ledger.
- Based on general ledger entries a check payable to an employee for \$6,801 was written by the town the same day the town received an equal payment from a credit card processor. There are no supporting documents for this transaction.
- Numerous cash adjustment resolutions lowering the Town's cash balances were approved by the Town but could not be located as entries in the general ledger.
- A cash transfer from the general fund to the joint utility fund was not recorded in the general ledger and this transfer amount was unsupported by the audit report's cash amount.
- The Town paid off a loan early and the check was written out of the wrong fund and was not recorded in the general ledger.
- Gross receipt revenues and expenditures are not being recorded properly within the general ledger.
- Customer payments shown as received in utility billing system do not appear as income in the general ledger. Customer utility deposits per the general ledger do not match payments received in the utility billing system.

Although the Town is working on this, there has been no significant progress.

Criteria: 2.2.2.10.D NMAC (Audit Rule 2015) - The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. §6-10-2 NMSA 1978 - A cash record must be maintained listing all items of receipts and disbursements of public money. The cash record must also be balanced daily to show the balance of public money on hand at the close of each business day. Loan covenants.

Cause: The internal control structure is not adequate and documented and therefore management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information.

Effect: Amounts not recorded in the general ledger prevent the financial statements from presenting an accurate picture of the financial condition of the Town for the governing body, taxpayers or other concerned entities.

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Town of Estancia
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Year Ended June 30, 2016

Recommendation: We recommend the Town implement procedures to ensure that all financial transactions are recorded in the general ledger in the proper reporting period. The Town should provide additional accounting training to employees to ensure they have an adequate understanding of accounting principles.

Client Response: Many accounting principles have not been followed for years. The current Clerk/Treasurer has begun training staff on good accounting practices. The previous administration did not feel it necessary to cross train staff and segregate duties therefore increasing the risk for fraud, waste and abuse of town resources. The current administration understands the importance of good accounting principles, cross training and transparency. The current administration will develop good internal controls to decrease the possibility of fraud, waste and abuse of town resources.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-016 – Unsubstantiated Transactions, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town has recorded transactions in the general ledger that are not supported by external documents noted in the following ways:

- The Town cannot reconcile amounts in the meter deposit account to individual customers.
 - The Town cannot reconcile general ledger meter deposit amounts to the utility billing system because the customer's name is not recorded in the general ledger.
 - The Town sells bulk water but does not retain a copy of the receipt for these transactions.
 - The Town's utility billing system had numerous billing and meter read adjustments that did not tie to supporting documentation. Certain customer re-read amounts did not reconcile to the prior re-read amount or any supporting documentation.
 - Numerous budget resolutions had no supporting backup documentation.
 - Numerous utility billing cash transactions were missing the cash payment vouchers.
- Although the Town is working on this, there has been no significant progress.

Criteria: 2.2.2.10.D NMAC - The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. Clarified Statements on Auditing Standards (AU-C) Section 200 paragraph .05 - Financial statements are management's responsibility. Town Ordinance 9-1-7 - "The town may, without notice, discontinue utility services to any premises for which charges are delinquent for a period of thirty (30) days." Good accounting practices recommend retaining documentation, reconciliations, and any other explanatory items necessary to support financial transactions.

Cause: The internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information.

Effect: The Town does not have the necessary supporting documentation to know whether or not these financial transactions were proper and in agreement with amounts recorded in the general ledger.

Recommendation: We recommend the Town develop policies and procedures for handling the sale of bulk water, document retention, billing and meter read adjustments, utility billing cash transactions, meter deposit reconciliations, and budget resolutions.

Client Response: At this time the Town does not sale [SIC] bulk water. The Town does not have the capacity to effectively manage a large dispensing service. All utility billing adjustments will have supporting documentation. Management will be developing policies and procedures for records retention. All reconciliations will be performed in a timely manner. All budget resolutions will be approved by the Board and DFA. I believe at this time the meter deposit account has be reconciled and is in balance.

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Town of Estancia
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Year Ended June 30, 2016

2016-017 – Record Retention, Material Weakness, (repeated from 2016 Special Investigation)

Condition: The Town does not have the documentation for a one million dollar bequest for the library fund. The Town did not have the contract amendment on file for a vendor contract. Although the Town is working on this, there has been no significant progress.

Criteria: 2.2.2.10.D NMAC - The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. Clarified Statements on Auditing Standards (AU-C) Section 200 paragraph .05 – Financial statements are management’s responsibility. Good accounting practices recommend retaining documentation, reconciliations, and any other explanatory items necessary to support financial transactions.

Cause: The Town’s lack of a record retention policy. Further, the Town stated that when the previous mayor left office he took the original bequest documents with him.

Effect: The Town is using bequest funds in a manner that may or may not be allowed per the original bequest. The Town paid a vendor in an amount that may or may not have been approved by the governing body.

Recommendation: The Town should cease use of the bequest funds until such time that the original bequest documentation is provided to the Town. The Town should develop a retention policy and train employees on the importance of retaining pertinent financial documents.

Client Response: No expenditures have been made from the second William’s Bequest. The Town will obtain duplicate documents on the second million dollar bequest left to the Town by the Williams Family. In 2012, the Board of Trustees requested to use a portion of the bequest to pay off a 2005 NMFA loan that that was used to purchase furniture and equipment for the library that was built with the first bequest from the Williams Family. The request was granted and the town paid off the loan in the amount of \$18,227.89. The second bequest was not reduced by that amount. The current cash balance for the bequest reflects the reduction of \$18,227.89.

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2016-018 – Budgetary Compliance, Material Weakness, (repeated from 2016 Special Investigation)

Condition: On numerous occasions, the Town approved resolutions to adjust revenues and expenditures to match the actual expenditures to prevent variances in the reports submitted to DFA. Although the Town is working on this, there has been no significant progress.

Criteria: Good accounting practices include only adjusting the budget as actually necessary to support expenditures.

Cause: The Town Clerk stated this practice was a requirement of DFA.

Effect: Revenues and expenditures were adjusted to tie to actuals at year-end, which resulted in no variances for the Town. This practice leaves no way for the governing body to review revenue and expenditure trends, unusual or suspicious activities.

Recommendation: We recommend the Town discontinue the practice of adjusting revenues and expenditures at year end to match actuals. Per DFA's Local Government Division (LGD) Bureau Chief this practice has spread due to rumors amongst a few municipalities. However, the LGD Bureau Chief stated there is no requirement by DFA to adjust revenues and expenditures at year-end to match actuals.

Client Response: Budget adjustments will be brought to the Board for approval as they arise during the fiscal year, as opposed to year end eliminating the practice of adjusting revenues and expenditures at year-end to match actuals.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-019- I-9's-Compliance and Internal Control-Significant Deficiency

Condition: During the course of our testwork we noted that 8 of the 40 I-9's were incomplete.

Criteria NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.

Cause A lack of training and attention to detail caused the I-9s to be incomplete.

Effect The Town may be subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Recommendation All I-9 should be reviewed and completed correctly.

Client Response: The Town Clerk will ensure that all employment documents including all state and federal forms are filled out completely and accurately and available for inspection effective November 21, 2016.

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Town of Estancia
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2016-020 –Non-compliance with Oversight Agency Requirements-Significant Deficiency

Condition: During the course of our testwork over 941s we noted that the Town received notices from the Internal Revenue Service regarding 941 payroll tax reporting and unfiled reports. Additionally, PERA and RHC reports are not being retained or filed.

Criteria: NMAC 6.20.2.11 C-Internal Control structure standards: “An internal control structure is required to demonstrate the school district’s ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure,” and/or NMAC 6.20.2.14.C. Cash Control Standards.

Cause: The unfiled, late or missing reports could be the cause of key staff member change. Currently, Management is diligently working on the resolving the issue with the Internal Revenue Service.

Effect: The Town appears to be in non-compliance with timely deposits of payroll taxes. Additionally it cannot be determined if PERA and RHC reports are being filed timely due to poor record retention.

Recommendation: The Town should ensure timely deposits of payroll taxes and reporting is submitted to the IRS and the other agencies to avoid future penalties. The town should also provide additional training on record retention of PERA and RHC reports.

Client Response: There was a tax report missed in January 2016 that was not submitted electronically. After preparing missing 941’s the error for found and corrected as of June 30, 2016.

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Town of Estancia
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-021 –Noncompliance with IRS regulations regarding Contractors-Significant Deficiency

Condition: During our audit test work we noted three (3) independent contractors working for the Town who appear to qualify as an employee per the IRS definition.

Criteria: Per IRS regulations an employee is classified as: Business has the right to control how the worker performs the required task. Instructions could include:

1. When and where to do the work
2. What tools and equipment to use
3. What workers to hire or assist with the work
4. Where to purchase supplies, materials, or services
5. What sequence or order to follow or who should do specific tasks
6. Training provided by the business to the worker

Cause: Unknown

Effect: The Town appears to be non-compliant with IRS regulations regarding employee vs. contractor which could make them liable for payroll taxes for the given employees.

Recommendation: The Town should reevaluate and reclassify contractors by following the IRS regulations in order to avoid penalties.

Client Response: The Town will review independent contractor's criteria per IRS regulations and ensure that the Town is following IRS regulation regarding Independent Contractors effective November 21, 2016.

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Town of Estancia
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Year Ended June 30, 2016

2016-022 Non-compliance with State Audit Rule-Significant Deficiency

Condition: We noted that the Town had not met the May 15, 2016 deadline to have their auditor selection submitted to the State Auditor.

Criteria: NMAC 2.2.2 states that each Town must have their auditor selection submitted to the State Auditor by no later than May 15, 2016.

Cause: The Town may not have been aware of the contract deadline for the auditor selection.

Effect: The Town appears to be in non-compliance with the 2016 State Audit Rule.

Recommendation: We recommend that the Town comply with the 2016 State Audit Rule and meet all required deadlines set forth within.

Client Response: The Town Clerk was unaware of the requirement to submit the auditor selection to the State Auditor by the May 15, 2016 deadline. The Town Clerk assumed that since a multi-year contract was in place since May 8, 2015 that no action was required. The 2017 auditor selection will be submitted prior to deadline next year.

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2016-023 PERA and RHC Noncompliance - Material Weakness

Condition: During our test work of payroll employees, we noted the following issues:

1. The Town did not offer PERA (Public Employee Retirement Association) benefits and/or for those not interested in participating, the Town did not obtain signed PERA exclusion forms from those waiving participation.
2. Retiree Health Care rates for police officers were being withheld at the incorrect rate for both employee and employer contributions. (This issue has been resolved as of December 2015)

Criteria: NMAC section 2.80 must be followed regarding PERA rules on eligibility, membership, administration, etc. Also, NMSA 1978 section 6-5-2 “Internal Controls” states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

Cause: The following appears to be the causes for the errors within the payroll processing cycle:

1. The Town overlooked the PERA exclusion or authorization form for one employee.
2. The cause is unknown for the incorrect RHC rate.

Effect: The following effects can occur:

1. The Town appears to be in non-compliance with PERA requirements which can lead to missed opportunities for those interested in participating in PERA, inadequate documentation for those waiving to participate in PERA.
2. By not verifying employee set up or payroll changes, the employee could have miscalculated tax withholdings effecting their yearly income taxes.

Recommendation: The following are the recommendations for the Town regarding the issues presented above:

1. The Town is encouraged to have payroll staff perform training on the requirements administered by the Public Employees Retirement Association (PERA).
2. The Town is encouraged to have payroll staff perform training on the requirements administered by Retiree Health Care. (RHC)

Client Response: The Town Clerk will ensure that PERA requirements will be followed and properly maintained. Timesheets will be reviewed to ensure that all hours worked and recorded is authorized and accurate. Time clock will be installed to help with employee time worked records. The Town will be converting to a new accounting software before the end of the June 30, 2017 fiscal year end.

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Town of Estancia
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Year Ended June 30, 2016

2016-024 Payroll Withholding Noncompliance - Material Weakness

Condition: During our test work of payroll employees, we noted the following issues:

1. W4 withholdings have been incorrectly entered into accounting system resulting in incorrect employee tax withholding.
2. One employee was having insurance withheld at a higher plan rate than the employee authorized

Criteria: NMSA 1978 section 6-5-2 “Internal Controls” states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

Cause: The following appears to be the causes for the errors within the payroll processing cycle:

1. Management does not have a dual control or verification process for setting up or making changes to an employee’s records.
2. Management does not have a dual control or verification process for setting up or making changes to an employee’s record

Effect: The following effects can occur:

1. Management does not have a dual control or verification process for setting up or making changes to an employee’s records
2. By not verifying employee records the employee was paying for an insurance plan they were not receiving.

Recommendation: The following are the recommendations for the Town regarding the issues presented above:

The Town is encouraged to review all employee information to verify accuracy.

Client Response: The Town will ensure that timesheets will be reviewed to ensure that all hours worked and recorded is authorized and accurate beginning November 21, 2016. Time clock will be installed to help with employee time worked records. The Town will be converting to a new accounting software before the end of the June 30, 2017 fiscal year end.

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Year Ended June 30, 2016

2016-025 Lack of Controls over Payroll and Leave Accrual Noncompliance - Material Weakness

Condition: During our test work of payroll we noted that the town is not properly tracking employee leave accruals. Time cards reflect the usage of sick or annual leave without proper approval from management and it is not deducted from their sick or annual leave bank in the accounting system. Time is not being deducted from the leave bank but is still being accrued at the regular rates causing incorrect leave balances for all employees.

Criteria: NMSA 1978 section 6-5-2 “Internal Controls” states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

Cause: The following appear to be the causes for the errors within the payroll processing cycle:

1. The Town has a lack of internal controls regarding payroll and employee leave accruals.

Effect: The following effects can occur:

1. The Town could have an employee discrepancy upon termination for leave time requiring the town to pay out more accrued leave than what is actually due.
2. It appears that management is not authorizing time cards which can lead to paying out for services not rendered.

Recommendation: The following are the recommendations for the Town regarding the issues presented above:

1. The Town is encouraged to implement internal controls over proper authorization of time cards and leave accruals.

Client Response: The Town Clerk will implement a leave accrual form to be turned in by staff, authorized by their supervisor, to ensure that the employee has the accrued time off and management can correctly record the time. This will be implemented November 21, 2016.

STATE OF NEW MEXICO
Town of Estancia
OTHER DISCLOSURES
Year Ended June 30, 2016

A. AUDITOR PREPARED FINANCIAL STATEMENTS

It would be preferred and desirable for the Town to prepare its own GAAP-basis financial statements; however, it was determined that the Town does not have the skills or qualifications to perform this task. Although the financial statements are the responsibility of the Town, the preparation of those statements was included in the contract as services to be provided by the auditor. As such the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on November 14, 2016. The following individuals were in attendance.

Town of Estancia

Mr. Morrow Hall, Mayor Pro Tem

Debra Kelly, Town Clerk

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CICA,
CGMA

Alexandra Yebra, Staff Accountant

Zachary Hayes, Staff Accountant