

**CITY OF ESPAÑOLA, NEW MEXICO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

CITY OF ESPAÑOLA, NEW MEXICO

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**CITY OF ESPAÑOLA, NEW MEXICO
OFFICIAL ROSTER
JUNE 30, 2009**

City Government

Alice Lucero
Mayor

Greg Ortega
Councilor

Cecilia Lujan
Mayor Pro-Tem

Dennis Tim Salazar
Councilor

Rosario Garcia
Councilor

Robert J. Seeds
Councilor

Helen Kain-Salazar
Councilor

Pedro Valdez
Councilor

Cory J. Lewis
Councilor

Administrative Officials

James Lujan
City Manager

Heather Velasquez
City Clerk

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**CITY OF ESPAÑOLA, NEW MEXICO
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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CERTIFIED PUBLIC ACCOUNTANTS

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Tel (520) 742-2611
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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Espanola, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Espanola, New Mexico (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the City's nonmajor governmental and fiduciary funds presented as Supplementary Information as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management.

The City of Espanola, New Mexico did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, housing assistance activity, utility accounts receivables (water, wastewater and solid waste), and payroll and disbursement expenditures. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives for these account balances and transaction classes.

As the City did not maintain sufficient internal controls and/or adequate records we were unable to obtain sufficient evidential matter and we were not able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Espanola, New Mexico as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, we do not express an opinion on the respective financial position of each nonmajor governmental fund and fiduciary fund of the City of Espanola, New Mexico, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison information for all nonmajor governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010, on our consideration of the City of Espanola, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit we were engaged to perform.

The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We were unable to apply to the information certain limited procedures prescribed by auditing standards generally accepted in the United States of America because of the reasons described above and, therefore, we are unable to determine whether material modifications should be made to the information for it to conform with guidelines established by the Governmental Accounting Standards Board.

We were engaged to conduct an audit for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, nonmajor governmental funds, fiduciary funds, and budgetary comparison information presented as supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the City of Espanola, New Mexico (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2008-09 as follows.

- The City's total net assets of governmental activities decreased \$1.8 million and business-type activities increased \$142,912. In total, the net change of \$1.6 million represents a decrease of 162 percent from the prior year.
- General revenues from governmental activities accounted for \$10.9 million in revenue, or 69 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4.8 million or 31 percent of total governmental activities revenues. The City had \$5.7 million of program revenues and \$941,526 in general revenues related to business-type activities.
- The City had \$18.6 million in expenses related to governmental activities, a decrease of 12 percent from the prior fiscal year. The City had \$5.4 million in expenses related to business-type activities a decrease of 2 percent from the prior fiscal year.
- The General Fund had \$9.2 million in revenues, which primarily consisted of municipal and state shared taxes. The total expenditures of the General Fund were \$9.7 million. The General Fund's fund balance decreased from a deficit of \$122,760 to a deficit of \$726,007.
- The Water and Wastewater Fund operating revenues of \$4.0 million exceeded operating expenses of \$3.4 million. The Water and Wastewater Fund's net assets increased \$98,708.
- The Housing Assistance Fund's operating expenses of \$1.3 million exceeded operating revenues of \$196,686 and governmental funding of \$964,996. The Housing Assistance Fund's net assets decreased \$134,393 or 2 percent. As of July 1, 2009, the City's Housing Authority was transferred to the Santa Fe Civic Housing Authority.
- The City did not maintain sufficient internal controls over several operational areas and account balances and therefore the auditors were unable to issue an opinion on the financial statements included in this report.

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City'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 City's finances, in a manner similar to a private-sector business.

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

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

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, public works, and culture and recreation. Gross receipts taxes, property taxes, and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water, wastewater, solid waste, and housing assistance. The services are primarily financed through charges for services.

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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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 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 evaluating the City's near-term financing requirements.

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 City'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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Capital Projects Grant, and Infrastructure Projects Funds, all of which are considered to be the City's major governmental funds. Data from the other 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 schedules.

Proprietary funds. The City of Espanola maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Espanola uses enterprise funds to account for its water, wastewater, solid waste, and housing assistance functions.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for 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 immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Under New Mexico Administrative Code Section 2.2.2, governments in New Mexico must include the budgetary comparison statement for the General Fund as a component of the fund financial statements within the basic financial statements.

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets were exceeded by liabilities creating deficit net assets of \$622,467 at the current fiscal year end.

A significant portion of the City's net assets reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings and improvements, and vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
Current and other assets	\$ 5,705,484	\$ 5,450,016	\$ 5,409,797	\$ 4,077,689	\$ 11,115,281	\$ 9,527,705
Capital assets, net	4,118,685	6,092,028	13,432,584	14,360,910	17,551,269	20,452,938
Total assets, net	<u>9,824,169</u>	<u>11,542,044</u>	<u>18,842,381</u>	<u>18,438,599</u>	<u>28,666,550</u>	<u>29,980,643</u>
Current and other liabilities	3,231,353	2,277,118	1,229,947	794,844	4,461,300	3,071,962
Long-term liabilities	21,575,915	22,481,140	3,251,802	3,426,035	24,827,717	25,907,175
Total liabilities	<u>24,807,268</u>	<u>24,758,258</u>	<u>4,481,749</u>	<u>4,220,879</u>	<u>29,289,017</u>	<u>28,979,137</u>
Invested in capital assets, net of related debt	(17,996,335)	(16,606,815)	10,585,560	11,296,282	(7,410,775)	(5,310,533)
Unrestricted	3,013,236	3,390,601	3,775,072	2,921,438	6,788,308	6,312,039
Total net assets	<u>\$ (14,983,099)</u>	<u>\$ (13,216,214)</u>	<u>\$14,360,632</u>	<u>\$14,217,720</u>	<u>\$ (622,467)</u>	<u>\$ 1,001,506</u>

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$22.3 million. The total cost of all programs and services was \$23.9 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
Revenues:						
Program revenues:						
Charges for services	\$ 796,954	\$ 924,732	\$ 4,751,421	\$ 4,371,450	\$ 5,548,375	\$5,296,182
Operating grants and contributions	1,655,024	1,052,491	964,996	946,171	2,620,020	1,998,662
Capital grants and contributions	2,334,504	1,631,481		37,600	2,334,504	1,669,081
General revenues:						
Property taxes, levied for general purposes	477,813	526,564			477,813	526,564
Gross receipts taxes	9,439,885	9,967,257			9,439,885	9,967,257
Franchise taxes	318,753	336,024			318,753	336,024
Unrestricted aid, and state shared revenues	495,644	444,276	941,526	807,041	1,437,170	1,251,317
Investment income	120,228	121,730	7,780	7,216	128,008	128,946
Total revenues	<u>15,638,805</u>	<u>15,004,555</u>	<u>6,665,723</u>	<u>6,169,478</u>	<u>22,304,528</u>	<u>21,174,033</u>
Expenses:						
General government	6,816,221	5,517,071			6,816,221	5,517,071
Public safety	7,748,422	6,508,358			7,748,422	6,508,358
Public works	1,462,930	6,792,822			1,462,930	6,792,822
Culture and recreation	1,602,707	1,506,175			1,602,707	1,506,175
Interest on long-term debt	921,320	862,313			921,320	862,313
Water and wastewater			3,516,545	3,175,377	3,516,545	3,175,377
Solid waste			556,501	537,348	556,501	537,348
Housing assistance			1,303,855	1,784,061	1,303,855	1,784,061
Total expenses	<u>18,551,600</u>	<u>21,186,739</u>	<u>5,376,901</u>	<u>5,496,786</u>	<u>23,928,501</u>	<u>26,683,525</u>
Transfers	<u>1,145,910</u>	<u>1,080,080</u>	<u>(1,145,910)</u>	<u>(1,080,080)</u>		
Changes in net assets	<u>\$ (1,766,885)</u>	<u>\$ (5,102,104)</u>	<u>\$ 142,912</u>	<u>\$ (407,388)</u>	<u>\$(1,623,973)</u>	<u>\$ (5,509,492)</u>

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the eight (8) major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2009		2008	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses (Restated)	Net (Expense)/ Revenue (Restated)
Governmental Activities				
General government	\$ 6,816,221	\$ (6,629,187)	\$ 5,517,071	\$ (5,212,381)
Public safety	7,748,422	(6,319,046)	6,508,358	(5,439,667)
Public works	1,462,930	1,339,512	6,792,822	(4,897,278)
Culture and recreation	1,602,707	(1,235,077)	1,506,175	(1,166,396)
Interest on long-term debt	921,320	(921,320)	862,313	(862,313)
Total	<u>\$18,551,600</u>	<u>\$(13,765,118)</u>	<u>\$ 21,186,739</u>	<u>\$(17,578,035)</u>
Business-type Activities				
Water and wastewater	\$ 3,516,545	\$ 489,157	\$ 3,175,377	\$ 592,776
Solid waste	556,501	(7,468)	537,348	(20,899)
Housing assistance	1,303,855	(142,173)	1,784,061	(713,442)
Total	<u>\$ 5,376,901</u>	<u>\$ 339,516</u>	<u>\$ 5,496,786</u>	<u>\$ (141,565)</u>

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$3.5 million, a decrease of \$693,429.

The General Fund is the principal operating fund of the City. The General Fund's fund balance decreased from a deficit of \$122,760 to a deficit of \$726,007.

Proprietary funds. Net assets of the Enterprise Fund increased \$142,912 to \$14.4 million at year end.

BUDGETARY HIGHLIGHTS

There were several amendments to the City of Espanola's fiscal year 2009-08 operating budget. A statement reporting the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as a basic financial statement. The unfavorable variance of \$1.0 million in General Fund revenues was mainly attributed to decreased municipal and state shared taxes. Expenditures had a positive variance of \$857,145 due to lower than anticipated general government and public safety expenditures.

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the City had invested \$58.4 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the current fiscal year was \$2.9 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

<u>Governmental Activities</u>	As of June 30, 2009	As of June 30, 2008
Land	\$ 3,412,879	\$ 3,412,879
Buildings and improvements	19,400,283	19,400,283
Vehicles, furniture and equipment	6,310,021	6,310,021
Less: Accumulated depreciation	<u>(25,004,498)</u>	<u>(23,031,155)</u>
Total	<u>\$ 4,118,685</u>	<u>\$ 6,092,028</u>
<u>Business-type Activities</u>	As of June 30, 2009	As of June 30, 2008
Land	\$ 509,477	\$ 509,477
Land improvements	1,991,060	1,991,060
Infrastructure	11,060,404	11,060,404
Buildings and improvements	10,444,853	10,444,853
Vehicles, furniture and equipment	5,279,329	5,279,329
Less: Accumulated depreciation	<u>(15,852,539)</u>	<u>(14,924,213)</u>
Total	<u>\$ 13,432,584</u>	<u>\$ 14,360,910</u>

Additional information on the City's capital assets can be found in Note 4.

**CITY OF ESPANOLA, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the City had \$25.0 million in long-term debt outstanding. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2009 and June 30, 2008.

	Governmental Activities	
	2009	2008
Loans payable	\$ 19,640,020	\$ 20,220,510
Revenue bonds payable	2,475,000	2,728,333
Total	\$ 22,115,020	\$ 22,948,843

	Business-type Activities	
	2009	2008
Loans payable	\$ 2,847,024	\$ 3,064,628
Total	\$ 2,847,024	\$ 3,064,628

State statutes currently limit the amount of general obligation debt a City may issue to 4 percent of its total assessed valuation for general purposes. The current debt limitation for general purposes for the City is \$6.1 million. State statute currently does not limit the amount of general obligation debt a City may issue for a Water and Wastewater system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Espanola estimated an increase in revenues of less than one percent. This was based upon the actual amounts that had been realized through June 2010. Some changes that affected revenues were income from new investments and revenue that was owed from the Solid Waste Authority for prior years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, City of Espanola, 405 Paseo de Oate, Espanola, New Mexico 87532.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 3,007,125	\$ 3,332,255	\$ 6,339,380
Taxes receivable	1,723,648		1,723,648
Accounts receivable	974,711	2,028,274	3,002,985
Due from federal government		49,268	49,268
Total current assets	5,705,484	5,409,797	11,115,281
Noncurrent assets:			
Land	3,412,879	509,477	3,922,356
Land improvements		1,991,060	1,991,060
Infrastructure		11,060,404	11,060,404
Buildings and improvements	19,400,283	10,444,853	29,845,136
Vehicles, furniture and equipment	6,310,021	5,279,329	11,589,350
Accumulated depreciation	(25,004,498)	(15,852,539)	(40,857,037)
Total noncurrent assets	4,118,685	13,432,584	17,551,269
Total assets	9,824,169	18,842,381	28,666,550
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,851,657	757,821	2,609,478
Accrued payroll	137,442	31,040	168,482
Compensated absences payable	339,435	142,441	481,876
Unearned revenue	180,940		180,940
Customer deposits		76,285	76,285
Loans payable	321,879	222,360	544,239
Revenue bonds payable	400,000		400,000
Total current liabilities	3,231,353	1,229,947	4,461,300
Noncurrent liabilities:			
Compensated absences payable	182,774		182,774
Loans payable	19,318,141	2,624,664	21,942,805
Revenue bonds payable	2,075,000		2,075,000
Landfill closure and postclosure costs		627,138	627,138
Total non-current liabilities	21,575,915	3,251,802	24,827,717
Total liabilities	24,807,268	4,481,749	29,289,017
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	(17,996,335)	10,585,560	(7,410,775)
Unrestricted	3,013,236	3,775,072	6,788,308
Total net assets	\$ (14,983,099)	\$ 14,360,632	\$ (622,467)

The notes to the financial statements are an integral part of this statement.

**CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 6,816,221	\$ 152,034	\$ 35,000	\$	\$ (6,629,187)
Public safety	7,748,422	466,089	816,091	147,196	(6,319,046)
Public works	1,462,930	21,800	593,334	2,187,308	1,339,512
Culture and recreation	1,602,707	157,031	210,599		(1,235,077)
Interest on long-term debt	921,320				(921,320)
Total governmental activities	<u>18,551,600</u>	<u>796,954</u>	<u>1,655,024</u>	<u>2,334,504</u>	<u>(13,765,118)</u>
Business-type activities:					
Water and wastewater	3,516,545	4,005,702			
Solid waste	556,501	549,033			
Housing assistance	1,303,855	196,686	964,996		
Total business-type activities	<u>5,376,901</u>	<u>4,751,421</u>	<u>964,996</u>		
Total primary government	<u>\$ 23,928,501</u>	<u>\$ 5,548,375</u>	<u>\$ 2,620,020</u>	<u>\$ 2,334,504</u>	<u>(13,765,118)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	477,813
Gross receipts taxes	9,439,885
Franchise taxes	318,753

Unrestricted grants, aid and state shared revenues	495,644
Investment income	120,228

Transfers	<u>1,145,910</u>
Total general revenues and transfers	<u>11,998,233</u>

Changes in net assets (1,766,885)

Net assets, beginning of year (13,216,214)

Net assets, end of year \$(14,983,099)

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (6,629,187)
	(6,319,046)
	1,339,512
	(1,235,077)
	(921,320)
	(13,765,118)
489,157	489,157
(7,468)	(7,468)
(142,173)	(142,173)
339,516	339,516
339,516	(13,425,602)
	477,813
	9,439,885
	318,753
941,526	1,437,170
7,780	128,008
(1,145,910)	
(196,604)	11,801,629
142,912	(1,623,973)
14,217,720	1,001,506
\$ 14,360,632	\$ (622,467)

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FUND FINANCIAL STATEMENTS

CITY OF ESPANOLA, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects Grant	Infrastructure Projects
<u>ASSETS</u>			
Cash and investments	\$	\$ 500,931	\$ 909,543
Taxes receivable	1,612,409		66,690
Accounts receivable	969,737		
Due from other funds		625,235	2,041,234
Total assets	\$ 2,582,146	\$ 1,126,166	\$ 3,017,467
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 948,537	\$ 635	\$ 35,269
Accrued payroll	137,442		
Due to other funds	2,041,234		
Deferred revenue	180,940		
Total liabilities	3,308,153	635	35,269
Fund balances (deficits):			
Unreserved:			
Undesignated	(726,007)	1,125,531	2,982,198
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
Debt service funds			
Total fund balances	(726,007)	1,125,531	2,982,198
 Total liabilities and fund balances	 \$ 2,582,146	 \$ 1,126,166	 \$ 3,017,467

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,596,651	\$ 3,007,125
44,549	1,723,648
4,974	974,711
1,168,923	3,835,392
<u>\$ 2,815,097</u>	<u>\$ 9,540,876</u>

\$ 867,216	\$ 1,851,657
	137,442
1,794,158	3,835,392
	180,940
<u>2,661,374</u>	<u>6,005,431</u>

3,381,722

38,556	38,556
(292,173)	(292,173)
407,340	407,340
<u>153,723</u>	<u>3,535,445</u>
<u>\$ 2,815,097</u>	<u>\$ 9,540,876</u>

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**CITY OF ESPANOLA, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total governmental fund balances		\$ 3,535,445
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	\$ 29,123,183	
Less accumulated depreciation	<u>(25,004,498)</u>	4,118,685
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Loans payable	(19,640,020)	
Bonds payable	(2,475,000)	
Compensated absences payable	<u>(522,209)</u>	<u>(22,637,229)</u>
Net assets of governmental activities		<u><u>\$ (14,983,099)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects Grant	Infrastructure Projects
Revenues:			
Property taxes	\$ 477,813	\$	\$
Municipal and state shared taxes	7,534,226		1,112,336
Intergovernmental	35,000	341,760	
Charges for services	276,282	20,000	
Licenses and permits	85,625		
Fines and forfeits	336,870		
Franchise fees	318,753		
Contributions and donations	4,857		
Investment income	120,228		
Other revenues	554		
Total revenues	<u>9,190,208</u>	<u>361,760</u>	<u>1,112,336</u>
Expenditures:			
Current -			
General government	4,065,619		
Public safety	4,098,538		
Public works	434,552		
Culture and recreation	865,862		
Capital outlay	199,372	434,502	355,198
Debt service -			
Principal			
Interest and fiscal charges			
Total expenditures	<u>9,663,943</u>	<u>434,502</u>	<u>355,198</u>
Excess (deficiency) of revenues over expenditures	<u>(473,735)</u>	<u>(72,742)</u>	<u>757,138</u>
Other financing sources (uses):			
Transfers in	459,589		
Transfers out	(589,101)		(611,489)
Total other financing sources (uses)	<u>(129,512)</u>		<u>(611,489)</u>
Changes in fund balances	<u>(603,247)</u>	<u>(72,742)</u>	<u>145,649</u>
Fund balances (deficits), beginning of year	(122,760)	1,198,273	2,836,549
Fund balances (deficits), end of year	<u>\$ (726,007)</u>	<u>\$ 1,125,531</u>	<u>\$ 2,982,198</u>

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$	\$
	477,813
1,394,509	10,041,071
3,498,178	3,874,938
70,967	367,249
1,800	87,425
	336,870
	318,753
9,047	13,904
	120,228
	554
<u>4,974,501</u>	<u>15,638,805</u>
	4,065,619
1,586,530	5,685,068
596,849	1,031,401
130,305	996,167
2,798,107	3,787,179
991,390	991,390
921,320	921,320
<u>7,024,501</u>	<u>17,478,144</u>
<u>(2,050,000)</u>	<u>(1,839,339)</u>
2,048,919	2,508,508
<u>(162,008)</u>	<u>(1,362,598)</u>
<u>1,886,911</u>	<u>1,145,910</u>
<u>(163,089)</u>	<u>(693,429)</u>
316,812	4,228,874
<u>\$ 153,723</u>	<u>\$ 3,535,445</u>

CITY OF ESPANOLA, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Net changes in fund balances - total governmental funds	\$ (693,429)
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>	
<p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>	(1,973,343)
<p>Repayment of loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	912,156
<p>Compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in governmental funds.</p>	<u>(12,269)</u>
Change in net assets in governmental activities	<u><u>\$ (1,766,885)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 539,935	\$ 539,935	\$ 477,813	\$ (62,122)
Municipal and state shared taxes	8,123,040	8,123,040	7,534,226	(588,814)
Intergovernmental	35,000	35,000	35,000	
Charges for services	352,856	360,355	276,282	(84,073)
Licenses and permits	107,935	107,935	85,625	(22,310)
Fines and forfeits	442,340	442,340	336,870	(105,470)
Franchise fees	380,900	380,900	318,753	(62,147)
Contributions and donations	4,650	4,650	4,857	207
Investment income	200,000	200,000	120,228	(79,772)
Other revenues	16,100	16,100	554	(15,546)
Total revenues	<u>10,202,756</u>	<u>10,210,255</u>	<u>9,190,208</u>	<u>(1,020,047)</u>
Expenditures:				
Current -				
General government	4,697,601	4,705,212	4,065,619	639,593
Public safety	4,539,129	4,546,628	4,098,538	448,090
Public works	435,467	435,467	434,552	915
Culture and recreation	669,021	679,021	865,862	(186,841)
Capital outlay	154,760	154,760	199,372	(44,612)
Total expenditures	<u>10,495,978</u>	<u>10,521,088</u>	<u>9,663,943</u>	<u>857,145</u>
Excess (deficiency) of revenues over expenditures	<u>(293,222)</u>	<u>(310,833)</u>	<u>(473,735)</u>	<u>(162,902)</u>
Other financing sources (uses):				
Transfers in	459,589	459,589	459,589	
Transfers out	(557,422)	(557,422)	(589,101)	(31,679)
Total other financing sources (uses)	<u>(97,833)</u>	<u>(97,833)</u>	<u>(129,512)</u>	<u>(31,679)</u>
Change in fund balances	<u>(391,055)</u>	<u>(408,666)</u>	<u>(603,247)</u>	<u>(194,581)</u>
Fund balances (deficits), July 1, 2008	5,255,666	5,255,666	(122,760)	(5,378,426)
Fund balances (deficits), June 30, 2009	<u>\$ 4,864,611</u>	<u>\$ 4,847,000</u>	<u>\$ (726,007)</u>	<u>\$ (5,573,007)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

Enterprise Funds

	Water and Wastewater	Solid Waste	Housing Assistance	Total
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 2,309,663	\$ 508,613	\$ 513,979	\$ 3,332,255
Accounts receivable	1,430,455	237,446	360,373	2,028,274
Due from federal government			49,268	49,268
Total current assets	<u>3,740,118</u>	<u>746,059</u>	<u>923,620</u>	<u>5,409,797</u>
Noncurrent assets:				
Land	232,040		277,437	509,477
Land improvements	1,611,771		379,289	1,991,060
Infrastructure	11,060,404			11,060,404
Buildings and improvements			10,444,853	10,444,853
Vehicles, furniture and equipment	4,142,320	359,097	777,912	5,279,329
Accumulated depreciation	(9,851,150)	(252,385)	(5,749,004)	(15,852,539)
Total noncurrent assets	<u>7,195,385</u>	<u>106,712</u>	<u>6,130,487</u>	<u>13,432,584</u>
Total assets	<u>10,935,503</u>	<u>852,771</u>	<u>7,054,107</u>	<u>18,842,381</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	625,796	39,134	92,891	757,821
Accrued payroll	31,040			31,040
Compensated absences payable	127,236		15,205	142,441
Customer deposits	42,959		33,326	76,285
Loans payable	222,360			222,360
Total current liabilities	<u>1,049,391</u>	<u>39,134</u>	<u>141,422</u>	<u>1,229,947</u>
Noncurrent liabilities:				
Loans payable	2,624,664			2,624,664
Landfill closure and postclosure costs		627,138		627,138
Total non-current liabilities	<u>2,624,664</u>	<u>627,138</u>		<u>3,251,802</u>
Total liabilities	<u>3,674,055</u>	<u>666,272</u>	<u>141,422</u>	<u>4,481,749</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	4,348,361	106,712	6,130,487	10,585,560
Unrestricted	2,913,087	79,787	782,198	3,775,072
Total net assets	<u>\$ 7,261,448</u>	<u>\$ 186,499</u>	<u>\$ 6,912,685</u>	<u>\$ 14,360,632</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds			
	Water and Wastewater	Solid Waste	Housing Assistance	Total
Operating revenues:				
Charges for services	\$ 4,005,702	\$ 549,033	\$ 196,686	\$ 4,751,421
Total operating revenues	<u>4,005,702</u>	<u>549,033</u>	<u>196,686</u>	<u>4,751,421</u>
Operating expenses:				
Payroll and benefits	1,490,460		156,505	1,646,965
Supplies and services	1,476,855	544,457	345,294	2,366,606
Housing assistance payments			348,185	348,185
Depreciation	462,411	12,044	453,871	928,326
Total operating expenses	<u>3,429,726</u>	<u>556,501</u>	<u>1,303,855</u>	<u>5,290,082</u>
Operating income (loss)	<u>575,976</u>	<u>(7,468)</u>	<u>(1,107,169)</u>	<u>(538,661)</u>
Nonoperating revenues (expenses):				
Municipal and state shared taxes	729,059	212,467		941,526
Intergovernmental			964,996	964,996
Investment income			7,780	7,780
Interest expense	(86,819)			(86,819)
Total nonoperating revenues (expenses)	<u>642,240</u>	<u>212,467</u>	<u>972,776</u>	<u>1,827,483</u>
Income (loss) before capital contributions and transfers	<u>1,218,216</u>	<u>204,999</u>	<u>(134,393)</u>	<u>1,288,822</u>
Transfers in	13,158			13,158
Transfers out	(1,132,666)	(26,402)		(1,159,068)
Changes in net assets	<u>98,708</u>	<u>178,597</u>	<u>(134,393)</u>	<u>142,912</u>
Total net assets, beginning of year	7,162,740	7,902	7,047,078	14,217,720
Total net assets, end of year	<u>\$ 7,261,448</u>	<u>\$ 186,499</u>	<u>\$ 6,912,685</u>	<u>\$ 14,360,632</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Enterprise Funds			Totals
	Water and Wastewater	Solid Waste	Housing Assistance	
<u>Increase (Decrease) In Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 4,170,800	\$ 593,326	\$ (164,997)	\$ 4,599,129
Cash payments to suppliers for goods and services	(1,188,281)	(496,330)	(600,588)	(2,285,199)
Cash payments to employees for services	(1,434,447)		(173,253)	(1,607,700)
Net cash provided by (used for) operating activities	1,548,072	96,996	(938,838)	706,230
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	729,059	212,467	1,273,465	2,214,991
Net operating transfers	(1,119,508)	(26,402)		(1,145,910)
Net cash provided by (used for) noncapital financing activities	(390,449)	186,065	1,273,465	1,069,081
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(217,604)			(217,604)
Interest on long-term debt	(86,819)			(86,819)
Net cash used for capital and related financing activities	(304,423)			(304,423)
Cash flows from investing activities:				
Interest on investments			7,780	7,780
Net cash provided by investing activities			7,780	7,780
Net increase in cash and cash equivalents	853,200	283,061	342,407	1,478,668
Cash and cash equivalents, July 1, 2008	1,456,463	225,552	171,572	1,853,587
Cash and cash equivalents, June 30, 2009	\$ 2,309,663	\$ 508,613	\$ 513,979	\$ 3,332,255
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ 575,976	\$ (7,468)	\$ (1,107,169)	\$ (538,661)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	462,411	12,044	453,871	928,326
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	154,171	44,293	(360,373)	(161,909)
Increase in accounts payable	288,574		92,891	381,465
Increase (decrease) in accrued payroll and employee benefits	31,040		(16,189)	14,851
Increase (decrease) in compensated absences payable	24,973		(559)	24,414
Increase (decrease) in deposits held for others	10,927		(1,310)	9,617
Increase in landfill closure and postclosure costs		48,127		48,127
Total adjustments	972,096	104,464	168,331	1,244,891
Net cash provided by (used for) operating activities	\$ 1,548,072	\$ 96,996	\$ (938,838)	\$ 706,230

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2009

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 151,083
Total assets	<u>\$ 151,083</u>
<u>LIABILITIES</u>	
Deposits held for others	151,083
Total liabilities	<u>\$ 151,083</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Espanola (City) was incorporated under the provisions of Chapter 3, Article 2, NMSA 1978. The City operates under an elected Mayor-Council form of government.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's significant accounting policies are described below.

A. Reporting Entity

The City's major operations include police and fire protection, library, parks and recreation, certain community and social services and general administrative services. In addition, the City operates two enterprise funds, which include a Water and Wastewater Fund, a Solid Waste Fund, and a Housing Assistance Fund.

The financial reporting entity consists of a primary government and its component units. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the City for financial statement presentation purposes, and the City is not included in any other governmental reporting entity. Consequently, the City's financial statements include only the financial activity of those organizational entities for which its elected governing body is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements distinguish between governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, investment income and other items not included among program revenues, but are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund, even though the latter is 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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. In addition, the fiduciary fund financial statements are reported on the accrual basis of accounting. 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 grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements, however the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their exchange value. The City does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements – 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as revenues when the underlying exchange transaction has occurred. 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, gross receipts taxes, state shared taxes, franchise fees, charges for services, and investment income 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. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Capital Projects Grant – This capital projects fund accounts for various capital projects.

Infrastructure Projects Fund – This capital projects fund accounts for City infrastructure capital projects.

The City reports the following major proprietary funds.

Water and Wastewater Fund – This enterprise fund is used to account for all operations of the water and wastewater systems.

Solid Waste Fund – This enterprise fund is used to account for all garbage operations of the solid waste system.

Housing Assistance Fund – This enterprise fund is used to account for all low-rent housing operations of the City.

Additionally, the City reports the following fund type:

Fiduciary Fund – The Fiduciary Fund consists of agency funds that account for assets held by the City on behalf of the Municipal Court operated at City Hall.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's enterprise funds are charges to customers for water and wastewater services. Operating expenses for this fund include production costs, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

New Mexico Statutes Annotated (NMSA) authorizes the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of New Mexico, counties, cities, school districts, and special districts as specified by statute.

The State of New Mexico local government investment pool is a pool that is not registered with the United States Securities Exchange Commission. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advise and consent of the State Board of Finance, to invest money held in the short-term investment in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at 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 local government investment pool is voluntary. The investment in the State of New Mexico local government investment pool approximates the value of the participant's pool share.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The balance reported for each participating fund as “Cash and Investments” represents the equity of that fund in the pooled cash and investments. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” All trade receivables are shown net of allowance for uncollectibles.

Property taxes attach as a lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located within the City as of the preceding January 1. The taxable valuation for the various classes of property are determined by the Rio Arriba and Santa Fe County Assessors; as well as, the State of New Mexico Department of Finance and Administration (DFA), Local Government Division at one-third of assessed valuation. Property taxes are payable in two equal installments due on November 10 of the current year and April 10 of the following year and become delinquent after 30 days.

G. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Software is capitalized when acquired while library books are not

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

capitalized because the aggregated cost of books is considered immaterial. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure assets acquired prior to July 1, 2006, consist of road network assets that were acquired or that received substantial improvements subsequent. These infrastructure assets are reported at estimated historical cost using deflated replacement cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Vehicles	5-10
Furniture and fixtures	5-10
Machinery and equipment	7-10

H. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest immediately at the employee's current rate of pay; however, the sick leave benefits do not vest. The current and long-term liabilities for accumulated vacation leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Resources from the General Fund are typically used to pay for compensated absences.

I. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Assets Restriction and Fund Balance Reservations

In the government-wide financial statements only restrictions imposed by external sources or enabling legislation are identified as restricted net assets.

In the fund financial statements, governmental funds report reservations or designations of fund balance for amounts that are not available for expenditures or identified for use of a specific purpose by the City. At year end, the City had no reservations of fund balance in the governmental funds.

K. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

L. Budgets

The General, Special Revenue, Debt Service, Capital Project, and Proprietary Fund budgets are subject to approval by the New Mexico Department of Finance and Administration (DFA), Local Government Division.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

During the month of May, public hearings are conducted to obtain taxpayer comments. Prior to June 1, the City submits to the DFA a proposed operating budget for the fiscal year commencing the following July 1. The budget is prepared by fund and function and includes proposed expenditures, which include carryover encumbrances and accounts payable, and the means of financing them. Prior to July 1, DFA grants interim approval for the City to operate on the proposed budget subject to adjustments and/or revisions prior to final subsequent approval before the first Monday in September. Such approval is contingent upon the City Council adopting the proposed budget in accordance with applicable state statutes, and sufficient funds being available for anticipated fiscal year expenditures. Prior to July 31, the City Council adopts by resolution a formal budget and such budget is presented to DFA for final approval.

Section 6-6-6, NMSA, 1978 Compilation prohibits municipalities from making expenditures in excess of the approved budget. For these purposes the budget referred to is the fund's total budget.

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash in bank and investments held by the City.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balances – At year end, the following major and individual non-major funds reported deficits in fund balance.

	<u>Deficit</u>
Major Funds:	
General Fund	\$ 726,007
Non-Major Funds:	
Weed and Seed Grant	34,493
Bullet Proof Vest Grant	14,526
Operation Buckle Down	5,971
G.R.E.A.T. Grant	11,664
COPS in Schools Grant	195,822
Operation DWI State Grant	5,220
Transit System Grant	142,755
Summer Lunch Program	29,985
Click It or Ticket	1,018
Wildland Grant	6,622
Law Enforcement Technology Grant	1,228
Firefighters	74,668
Roads and Streets	40,321
Lodgers' Tax	1,379
U.S. Bureau of Reclamation	38,003
NMDOT Litter Control and Beautification	1,927
2002 Bond Debt Service	509,247
RUS Loan Debt Service	24,019
NMFA DWSRF Debt Service	152,413
NMLA Capital Improvements Grant	171,926
NMDOT Grant	248,693
USDA Grants	22,428
Federal W/WW Project Grant	326,179
NMFA Trust Board	914
State Agency on Aging Grants	22,959
USDA Loan / Police Department	125,000

The deficits arose because of operations during the year and prior years.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concl'd)

Excess Expenditures Over Appropriations – For the current fiscal year expenditures/expenses exceeded appropriations in the following fund:

	Budget	Expenditures	Excess
Major Governmental Fund:			
Capital Projects Grant	\$ 333,305	\$ 434,502	\$ (101,197)
Non-Major Governmental Funds:			
Weed and Seed Grant	139,770	208,399	(68,629)
COPS in Schools Grant		96,174	(96,174)
Operation DWI State Grant	33,548	36,911	(3,363)
Transit System Grant	37,804	71,340	(33,536)
Wildland Grant		2,513	(2,513)
Law Enforcement Technology Grant	213,563	216,647	(3,084)
E-911 Grant	990,249	1,055,710	(65,461)
Roads and Streets	362,800	388,070	(25,270)
2002 Bond Debt Service	661,152	1,161,176	(500,024)
NMFA DWSRF Debt Service	135,832	237,579	(101,747)
NM SAP W/WW Project Grant		19,482	(19,482)
State Agency on Aging Grants	32,442	109,305	(76,863)
NM Board of Finance Project	50,000	350,000	(300,000)
USDA Loan / Police Department	10,300	15,321	(5,021)
Proprietary Fund:			
Housing Assistance		849,984	(849,984)

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the City's deposits was \$2,721,540 and the bank balance was \$5,344,154. The difference represents outstanding checks, deposits, and other reconciling items.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a specific deposit policy for custodial credit risk; however, under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. The City's agreement with its sole depository requires pledged collateral of 102% of the public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). As of year end, \$5,091,426 of the City's bank balance was exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

The pledged collateral by bank at year end consists of the following.

Deposits		\$ 5,344,154
Less: FDIC Coverage		<u>252,728</u>
Uninsured public funds		5,091,426
Pledged collateral		<u>2,639,147</u>
Uninsured and uncollateralized		<u>(2,452,279)</u>
50% collateral requirement		2,545,713
Pledged securities, fair value		<u>2,639,147</u>
Pledged in excess of requirement		<u>\$ 93,434</u>

At year end the City's investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
State Treasurer's Investment Pool	\$ 2,489,035	\$ 2,489,035
NMFA - Reserve	41,798	41,798
NMFA - Sub Lien Program	589,963	589,963
NMFA - Sub Lien Reserve	555,890	555,890
NMFA - NMFA 65th Supp 2005B	92,235	92,235
Refunding - Escrow	<u>2</u>	<u>2</u>
Total	<u>\$ 3,768,923</u>	<u>\$ 3,768,923</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk. The City has no investment policy that would further limit its investment choices. All of the City's investments in U.S. Agencies in the preceding table were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The *New MexiGROW* Local Government Investment Pool (LGIP), a government investment pool is rated AAAM by Standard & Poor's and is authorized by the New Mexico State statute.

Custodial Credit Risk - Investments. To control custody risk State law and the City adopted Investment Policy requires all securities and all collateral for time and demand deposits as well as repurchase agreement collateral be transferred delivery versus payment and held by an independent party required to provide original safekeeping receipts. Repurchase agreements must be collateralized to 102%.

The City's investment in the New Mexico State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the Office of the State Treasurer disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the Office of the State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87504-0608.

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,412,879	\$	\$	\$ 3,412,879
Total capital assets, not being depreciated	<u>3,412,879</u>			<u>3,412,879</u>
Capital assets, being depreciated:				
Buildings and improvements	19,400,283			19,400,283
Vehicles, furniture and equipment	<u>6,310,021</u>			<u>6,310,021</u>
Total capital assets being depreciated	<u>25,710,304</u>			<u>25,710,304</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,867,314)	(532,969)		(19,400,283)
Vehicles, furniture and equipment	<u>(4,163,841)</u>	<u>(1,440,374)</u>		<u>(5,604,215)</u>
Total accumulated depreciation	<u>(23,031,155)</u>	<u>(1,973,343)</u>		<u>(25,004,498)</u>
Total capital assets, being depreciated, net	2,679,149	(1,973,343)		705,806
Governmental activities capital assets, net	<u>\$ 6,092,028</u>	<u>\$ (1,973,343)</u>	\$	<u>\$ 4,118,685</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – CAPITAL ASSETS (Concl'd)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 509,477	\$	\$	\$ 509,477
Total capital assets, not being depreciated	<u>509,477</u>			<u>509,477</u>
Capital assets, being depreciated:				
Land improvements	1,991,060			1,991,060
Infrastructure	11,060,404			11,060,404
Buildings and improvements	10,444,853			10,444,853
Vehicles, furniture and equipment	5,279,329			5,279,329
Total capital assets being depreciated	<u>28,775,646</u>			<u>28,775,646</u>
Less accumulated depreciation for:				
Land improvements	(1,049,056)	(68,307)		(1,117,363)
Buildings and improvements	(5,274,635)	(422,811)		(5,697,446)
Infrastructure	(4,693,841)	(112,038)		(4,805,879)
Vehicles, furniture and equipment	(3,906,681)	(325,170)		(4,231,851)
Total accumulated depreciation	<u>(14,924,213)</u>	<u>(928,326)</u>		<u>(15,852,539)</u>
Total capital assets, being depreciated, net	<u>13,851,433</u>	<u>(928,326)</u>		<u>12,923,107</u>
Governmental activities capital assets, net	<u>\$ 14,360,910</u>	<u>\$ (928,326)</u>)	<u>\$ 13,432,584</u>

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 901,783
Public safety	569,530
Public works	213,899
Culture and recreation	288,131
Total depreciation expense – governmental activities	<u>\$1,973,343</u>
Business-Type Activities:	
Water and wastewater	\$ 462,411
Solid waste	12,044
Housing assistance	453,871
Total depreciation expense – business-type activities	<u>\$ 928,326</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – LOANS PAYABLE

The loans payable at year end are as follows:

Purpose	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
Governmental activities:			
2007 NMFA Loan	3/2025	\$ 7,700,000	\$
1997 NMFA Sewer/Water	5/2017	626,090	65,366
2002 NMFA Well #9	5/2027	1,076,687	39,485
1998 NMFA Well #8	5/2018	267,189	23,022
2007 NMFA Equipment	3/2010	109,715	109,715
2006 NMFA	5/2017	691,015	84,291
2007 NMED	6/2025	9,169,324	
Total		<u>\$ 19,640,020</u>	<u>\$ 321,879</u>
Business-type activities:			
1991 NMED Wastewater	2/2018	\$ 2,035,504	\$ 208,671
1996 RUS	12/2036	616,164	10,344
1997 RUS	3/2037	195,356	3,345
Total		<u>\$ 2,847,024</u>	<u>\$ 222,360</u>

Principal and interest payments on the governmental and business-type activities loans payable at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2010	\$ 321,879	\$ 777,337
2011	1,018,563	750,287
2012	1,059,991	713,225
2013	1,102,667	674,349
2014	1,146,655	633,472
2015-19	6,064,638	2,483,964
2020-24	6,655,896	1,275,632
2025-28	2,269,731	106,063
Total	<u>\$ 19,640,020</u>	<u>\$ 7,414,329</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – LOANS PAYABLE (Concl'd)

Year ending June 30:	Business-type Activities	
	Principal	Interest
2010	\$ 222,360	\$ 82,056
2011	227,230	77,185
2012	232,220	72,196
2013	237,332	67,083
2014	242,571	61,845
2015-19	1,046,726	225,970
2020-24	124,557	150,618
2025-29	159,690	115,486
2030-34	204,731	70,443
2035-38	149,607	15,497
Total	<u>\$ 2,847,024</u>	<u>\$ 938,379</u>

NOTE 6 – BONDS PAYABLE

Revenue and refunding bonds are issued and authorized by the governing body to provide funds to acquire and construct certain improvements to the Water and Wastewater systems of the City and to pay the costs incurred in connection with the issuance of the bonds. Revenue and refunding bonds outstanding as reported in governmental-type activities at June 30, 2009 were as follows.

Purpose	Maturity	Outstanding Principal June 30, 2009	Due Within One Year
Governmental activities:			
1999 Bonds	3/2023	\$ 2,475,000	\$ 400,000
Total		<u>\$ 2,475,000</u>	<u>\$ 400,000</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – BONDS PAYABLE (Concl'd)

Annual debt service requirements to maturity on revenue and refunding bonds for governmental activities at year end are summarized as follows.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 400,000	\$ 139,593
2011	115,000	117,052
2012	120,000	111,072
2013	125,000	104,712
2014	130,000	98,026
2015-19	780,000	373,032
2020-23	805,000	120,060
Total	<u>\$ 2,475,000</u>	<u>\$ 1,063,547</u>

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>One Year</u>
Governmental Activities:					
Loans payable	\$ 20,220,510	\$	\$ 580,490	\$ 19,640,020	\$ 321,879
Bonds payable	2,728,333		253,333	2,475,000	400,000
Compensated absences	509,940	481,721	469,452	522,209	339,435
Total	<u>\$ 23,458,783</u>	<u>\$ 481,721</u>	<u>\$ 1,303,275</u>	<u>\$ 22,637,229</u>	<u>\$ 1,061,314</u>
Business-type Activities:					
Loans payable	\$ 3,064,628	\$	\$ 217,604	\$ 2,847,024	\$ 222,360
Compensated absences	118,027	100,349	75,935	142,441	142,441
Total	<u>\$ 3,182,655</u>	<u>\$ 100,349</u>	<u>\$ 293,539</u>	<u>\$ 2,989,465</u>	<u>\$ 364,801</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds:

<u>Due to</u>	<u>Due from</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Capital Projects Grant	\$	\$ 625,235	\$ 625,235
Infrastructure Projects	2,041,234		2,041,234
Non-Major Governmental Funds		1,168,923	1,168,923
Total	\$ 2,041,234	\$ 1,794,158	\$ 3,835,392

At year end, several funds were involved in borrowing arrangements due to the existence of a negative cash balance. All interfund balances are expected to be paid within one year.

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Wastewater Fund</u>	
General Fund	\$	\$ 589,101	\$	\$ 589,101
Infrastructure Fund		611,489		611,489
Non-Major Governmental Funds	54,729	94,121	13,158	162,008
Water and Wastewater Fund	378,458	754,208		1,132,666
Solid Waste	26,402			26,402
Total	\$ 459,589	\$ 2,048,919	\$ 13,158	\$2,521,666

Interfund transfers were made by the City during the fiscal year to ensure that sufficient resources were available to cover expenditures in the applicable funds.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 – CONTINGENT LIABILITIES

Federal and State grants' loans and revenues – The City has received a number of grants, loans and intergovernmental revenues from both the Federal and State governments. Recent financial statement audits of the City have not been favorable and the City is currently under a performance review by the New Mexico Office of the State Auditor. Disallowed grant claims, unallowable expenditures, and/or other revenue adjustments from grantor agencies or governments may constitute a liability of the City. However, the amounts of any such disallowances or adjustments, if any, are undeterminable.

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2009. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2009, would not be material to the financial position of the City.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The City pays an annual premium to the Pool for its workers' compensation coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for workers' compensation claims. The City carries commercial insurance for all other risks of loss including property, liability, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

Funding Policy. Plan members (other than police) are required to contribute 5.57% of their gross salary; police are required to contribute 8.30% of their gross salary. The City is required to contribute 26.50% for police and 16.73% for all other plan members. The contribution requirements of the plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended 2009, 2008, and 2007 were \$1.1 million, \$1.2 million, and \$1.1 million, respectively.

NOTE 12 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

Plan Description. The City of Espanola contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.30% of each participating employee's annual salary; each participating employee is required to contribute 0.65% of their salary.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN (Concl'd)

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 RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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. During the fiscal year ended June 30, 2009, the statute required each participating employer to contribute 1.30% of each participating employee's annual salary; each participating employee was required to contribute 0.65% of their salary. In the fiscal years ending June 30, 2010 through June 30, 2012 the contribution rates for employees and employers will rise as follows.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2010	1.30%	0.65%
2011	1.67	0.83
2012	1.83	0.92

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

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

The City's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$132,359, \$136,347 and \$140,575, respectively.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 – SUBSEQUENT EVENT

As of July 1, 2009, at the direction of the U.S. Department of Housing and Urban Development (HUD), the Housing Authority of the City of Espanola has been transferred to the Santa Fe Civic Housing Authority. As a result, the City's financial statements for future accounting periods will no longer include housing assistance financial data.

SUPPLEMENTARY INFORMATION

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**OTHER MAJOR GOVERNMENT FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS GRANT
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 289,634	\$ 289,634	\$ 341,760	\$ 52,126
Charges for services	1,671	43,671	20,000	(23,671)
Total revenues	<u>291,305</u>	<u>333,305</u>	<u>361,760</u>	<u>28,455</u>
Expenditures:				
Capital outlay	<u>291,305</u>	<u>333,305</u>	<u>434,502</u>	<u>(101,197)</u>
Total expenditures	<u>291,305</u>	<u>333,305</u>	<u>434,502</u>	<u>(101,197)</u>
Change in fund balances			<u>(72,742)</u>	<u>(72,742)</u>
Fund balances, July 1, 2008			1,198,273	1,198,273
Fund balances, June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ 1,125,531</u>	<u>\$ 1,125,531</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - INFRASTRUCTURE PROJECTS
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal and state shared taxes	\$ 1,180,256	\$ 1,180,256	\$ 1,112,336	\$ (67,920)
Total revenues	<u>1,180,256</u>	<u>1,180,256</u>	<u>1,112,336</u>	<u>(67,920)</u>
Expenditures:				
Capital outlay	479,167	969,167	355,198	613,969
Total expenditures	<u>479,167</u>	<u>969,167</u>	<u>355,198</u>	<u>613,969</u>
Excess (deficiency) of revenues over expenditures	<u>701,089</u>	<u>211,089</u>	<u>757,138</u>	<u>546,049</u>
Other financing sources (uses):				
Transfers out	(127,143)	(127,143)	(611,489)	(484,346)
Total other financing sources (uses)	<u>(127,143)</u>	<u>(127,143)</u>	<u>(611,489)</u>	<u>(484,346)</u>
Change in fund balances	<u>573,946</u>	<u>83,946</u>	<u>145,649</u>	<u>61,703</u>
Fund balances, July 1, 2008			2,836,549	2,836,549
Fund balances, June 30, 2009	<u>\$ 573,946</u>	<u>\$ 83,946</u>	<u>\$ 2,982,198</u>	<u>\$ 2,898,252</u>

NON-MAJOR FUNDS

Special Revenue Funds

Recreation – To account for the operations and maintenance of the recreation facilities.

Teen Court – To establish and account for grant funding awarded to the City by the New Mexico Department of Health for the purpose of establishing a framework of prevention strategies associated with alcohol, tobacco, and other drug abuse.

Weed & Seed Grant – To establish and account for grant funding awarded to the City for the maintenance of land.

Bullet Proof Vest Grant – To establish and account for grant funding awarded to the Police Department for the purchase of equipment.

Operation Buckle Down – To establish and account for grant funding awarded to the Police Department by the New Mexico Department of Transportation for the enforcement of occupant protection laws and ordinances aimed at increasing seat belt and proper child restraint usage.

G.R.E.A.T. Grant – To establish and account for grant funding awarded to the Police Department by the Espanola Valley High School for a Gang Resistance Education and Training curriculum.

COPS in Schools Grant – To establish and account for grant funding awarded to the Police Department by the U.S. Department of Justice to provide a School Resource Officer (SRO) Program for the Espanola Public Schools.

Byrne Justice Assistance Grant – To establish and account for grant funding awarded to the Police Department by the U.S. Department of Justice for non-lethal force options and technology improvements.

Operation DWI State Grant – To establish and account for grant funding awarded to the Police Department by the U.S. Department of Transportation for alcohol-impaired driving countermeasures.

Library Grant – To account for a grant from the State of New Mexico to be used for additions to the City's library.

Transit System Grant – To establish and account for grant funding awarded to the City by the Federal Transit Administration for the City's transit system.

Summer Lunch Program Grant – To establish and account for grant funding awarded to the City by the U.S. Department of Agriculture through the NM CYFD to carry out Section 13 activities of the National School Lunch Program.

Special Revenue Funds (Concl'd)

Click It or Ticket – To establish and account for grant funding awarded to the Police Department by the Department of Transportation for the enforcement of occupant protection laws and ordinances aimed at increasing seatbelt and proper child restraint usage.

EMS – To account for grant funds for the City's EMS department.

Wildland Grant – To account for grant funds to be used for wildland protection.

Law Enforcement Technology Grant – To account for installation of wireless mesh to provide radio communication for the Police Department.

Firefighters Fund – To account for the operation and maintenance of the City's fire district.

DWI Program Enforcement – To account for sobriety checkpoints and saturation patrols aimed at reducing alcohol related accidents.

E-911 Grant – To account for monies received from the State of New Mexico under Section 63-9D-1 NMSA 1978 for the enhancement of the 911 Telephone Emergency System.

Fire Protection – To account for the operation and maintenance of the City's fire district.

Roads and Streets – To account for funds used to maintain roads for which the City has responsibility. Financing sources include motor vehicle registration fees and gasoline taxes.

Law Enforcement Protection – To account for a grant from the State of New Mexico used for the purchase and repair of equipment as well as training for police personnel.

Fire Discretionary – To account for the Fire Department's discretionary operations.

Lodger's Tax – To account for lodgers' taxes used to promote the City.

Lodgers' Tax Promotional – To account for lodgers' taxes used to promote the City.

Fiesta Council – To account for State funds used for the Fiesta Council.

U.S. Bureau of Reclamation – To account for grant funds to be used for emergency drought assistance.

NMDOT Litter Control and Beautification – To account for the establishment of a local Keep America Beautiful Program to aid in litter control and beautification projects.

Municipal Service Improvements – To account for municipal gross receipts dedicated for improvements to the municipal streets, buildings, and recreational facilities.

Debt Service Funds

2002 Bond Debt Service – To establish and account for the debt service payments of the 1999-2002 Bond Series.

RUS Loan Debt Service – To establish and account for the debt service payment of the RUS Water System revenue bonds.

Environmental Department Loan – To establish a budget and account for the payment of a New Mexico Environmental Department loan used to finance the wastewater facility.

NMFA Loan Intercepts – To account for the activities related to the debt intercept payments to the State of New Mexico.

NMFA Well #9 – To account for matching funds for the surface water project.

1994 Bond Reserve – To account for the bond reserve held in escrow by the Paying Agent.

NMFA DWSRF Debt Service – To establish and account for the payment of a New Mexico Finance Authority loan used to finance the wastewater facility.

NMED CWSRF Debt Service – To be used to fund the wastewater plant.

Capital Projects Funds

Plaza Development – To account for funds received for construction of the Plaza Project.

NMLA Capital Improvements Grant – To establish and account for a capital replacement program.

NMDOT Grant – To account for intergovernmental revenues and expenditures for roadway projects.

USDA Grants – To account for the purchase of vehicles and equipment for the Police Department.

NM SAP W/WW Project Grant – To account for the completion of the wastewater project and to match Federal funding of water projects.

Federal W/WW Project Grant – To complete the wastewater project and to complete water projects.

NMFA Trust Board – To establish and account for an NMFA equipment grant.

State Water Project Grants – To establish and account for a State water capital project.

Capital Projects Funds (Concl'd)

State Agency on Aging Grants – To account for the renovation of the senior building and to purchase equipment for the senior center.

NMFA Loan Reserve – To account for debt reserves related to New Mexico Finance Authority debt.

NMFA PPR Equipment Project Loan – To purchase and equip police vehicles.

NM Board of Finance Project – For the renovation of the Police and Detention Department.

USDA Loan/Police Department – To purchase police vehicles and equipment.

Proprietary Funds

Water and Wastewater – To account for the water and wastewater operations of the City.

Solid Waste Utility – To account for the solid waste operations of the City.

Housing Assistance – To account for the City's low income housing operations.

NOTE: The Environmental Department Loan Fund and the NM Board of Finance Project Fund reported on the *Combining Statement of Revenues, Expenditures and Changes in Fund Balances* only reported current year activity and the funds had no account balances at year end. Therefore, the funds are not presented on the *Combining Balance Sheet* in the following combining statements.

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Recreation	Teen Court	Weed and Seed Grant	Bullet Proof Vest Grant
<u>ASSETS</u>				
Cash and investments	\$ 3,169	\$ 23,363	\$	\$
Taxes receivable				
Accounts receivable				
Due from other funds				
Total assets	\$ 3,169	\$ 23,363	\$	\$
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 513	\$ 340	\$ 5,633	\$
Due to other funds			28,860	14,526
Total liabilities	513	340	34,493	14,526
Fund balances (deficits):				
Unreserved:				
Undesignated	2,656	23,023	(34,493)	(14,526)
Total fund balances	2,656	23,023	(34,493)	(14,526)
Total liabilities and fund balances	\$ 3,169	\$ 23,363	\$	\$

<u>Operation Buckle Down</u>	<u>G.R.E.A.T. Grant</u>	<u>COPS in Schools Grant</u>	<u>Byrne Justice Assistance Grant</u>	<u>Operation DWI State Grant</u>	<u>Library Grant</u>
\$	\$	\$	\$ 3,315	\$	\$ 59,730
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,315</u>	<u>\$</u>	<u>\$ 59,730</u>
\$	\$	\$	\$	\$ 3,308	\$ 5,309
5,971	11,664	195,822		1,912	
<u>5,971</u>	<u>11,664</u>	<u>195,822</u>		<u>5,220</u>	<u>5,309</u>
(5,971)	(11,664)	(195,822)	3,315	(5,220)	54,421
<u>(5,971)</u>	<u>(11,664)</u>	<u>(195,822)</u>	<u>3,315</u>	<u>(5,220)</u>	<u>54,421</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,315</u>	<u>\$</u>	<u>\$ 59,730</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009
(Continued)

	Transit System Grant	Summer Lunch Program	Click It or Ticket	EMS
<u>ASSETS</u>				
Cash and investments	\$	\$ 102,898	\$	\$ 2,619
Taxes receivable				
Accounts receivable				
Due from other funds		258,755		
Total assets	\$	\$ 361,653	\$	\$ 2,619
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 4,664	\$ 391,638	\$	\$
Due to other funds	138,091		1,018	
Total liabilities	142,755	391,638	1,018	
Fund balances (deficits):				
Unreserved:				
Undesignated	(142,755)	(29,985)	(1,018)	2,619
Total fund balances	(142,755)	(29,985)	(1,018)	2,619
Total liabilities and fund balances	\$	\$ 361,653	\$	\$ 2,619

<u>Wildland Grant</u>	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>DWI Program Enforcement</u>	<u>E-911 Grant</u>	<u>Fire Protection</u>
\$	\$	\$	\$ 8,071	\$ 19,372	\$ 104,594
				75	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,071</u>	<u>\$ 19,447</u>	<u>\$ 104,594</u>
\$	\$	\$	\$	\$	\$ 27,295
6,622	1,228	74,668			
<u>6,622</u>	<u>1,228</u>	<u>74,668</u>			<u>27,295</u>
<u>(6,622)</u>	<u>(1,228)</u>	<u>(74,668)</u>	<u>8,071</u>	<u>19,447</u>	<u>77,299</u>
<u>(6,622)</u>	<u>(1,228)</u>	<u>(74,668)</u>	<u>8,071</u>	<u>19,447</u>	<u>77,299</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,071</u>	<u>\$ 19,447</u>	<u>\$ 104,594</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009
(Concluded)

	Roads and Streets	Law Enforcement Protection	Fire Discretionary	Lodgers' Tax
<u>ASSETS</u>				
Cash and investments	\$ 2,492	\$ 12,512	\$ 18,432	\$
Taxes receivable		37,400		
Accounts receivable				
Due from other funds				
Total assets	\$ 2,492	\$ 49,912	\$ 18,432	\$
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 42,813	\$	\$	\$
Due to other funds				1,379
Total liabilities	42,813			1,379
Fund balances (deficits):				
Unreserved:				
Undesignated	(40,321)	49,912	18,432	(1,379)
Total fund balances	(40,321)	49,912	18,432	(1,379)
Total liabilities and fund balances	\$ 2,492	\$ 49,912	\$ 18,432	\$

Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation	NMDOT Litter Control and Beautification	Municipal Service Improvements	Totals
\$ 74,016	\$ 17,806	\$ 53,219	\$	\$ 56,160	\$ 561,768
7,149					44,549
4,899					4,974
				224,933	483,688
<u>\$ 86,064</u>	<u>\$ 17,806</u>	<u>\$ 53,219</u>	<u>\$</u>	<u>\$ 281,093</u>	<u>\$ 1,094,979</u>
\$	\$	\$ 91,222	\$	\$	\$ 572,735
			1,927		483,688
		91,222	1,927		1,056,423
86,064	17,806	(38,003)	(1,927)	281,093	38,556
86,064	17,806	(38,003)	(1,927)	281,093	38,556
<u>\$ 86,064</u>	<u>\$ 17,806</u>	<u>\$ 53,219</u>	<u>\$</u>	<u>\$ 281,093</u>	<u>\$ 1,094,979</u>

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	Recreation	Teen Court	Weed and Seed Grant
Revenues:			
Municipal and state shared taxes	\$ 3,557	\$	\$
Intergovernmental		6,000	128,748
Charges for services			
Licenses and permits			
Contributions and donations			
Total revenues	3,557	6,000	128,748
Expenditures:			
Current -			
Public safety		1,374	204,785
Public works			
Culture and recreation	2,739		
Capital outlay			3,614
Debt service -			
Principal			
Total expenditures	2,739	1,374	208,399
Excess (deficiency) of revenues over expenditures	818	4,626	(79,651)
Other financing sources (uses):			
Transfers in			5,053
Transfers out			
Total other financing sources (uses)			5,053
Change in fund balances	818	4,626	(74,598)
Fund balances (deficits), beginning of year	1,838	18,397	40,105
Fund balances (deficits), end of year	\$ 2,656	\$ 23,023	\$ (34,493)

<u>Bullet Proof Vest Grant</u>	<u>Operation Buckle Down</u>	<u>G.R.E.A.T. Grant</u>	<u>COPS in Schools Grant</u>	<u>Byrne Justice Assistance Grant</u>	<u>Operation DWI State Grant</u>
\$	\$	\$	\$	\$	\$
	2,434	5,556			35,746
	<u>2,434</u>	<u>5,556</u>			<u>35,746</u>
2,697	2,812	8,960	96,174	4,980	7,333
					29,578
<u>2,697</u>	<u>2,812</u>	<u>8,960</u>	<u>96,174</u>	<u>4,980</u>	<u>36,911</u>
<u>(2,697)</u>	<u>(378)</u>	<u>(3,404)</u>	<u>(96,174)</u>	<u>(4,980)</u>	<u>(1,165)</u>
4,044					
<u>4,044</u>					
<u>1,347</u>	<u>(378)</u>	<u>(3,404)</u>	<u>(96,174)</u>	<u>(4,980)</u>	<u>(1,165)</u>
(15,873)	(5,593)	(8,260)	(99,648)	8,295	(4,055)
<u>\$ (14,526)</u>	<u>\$ (5,971)</u>	<u>\$ (11,664)</u>	<u>\$ (195,822)</u>	<u>\$ 3,315</u>	<u>\$ (5,220)</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009
(Continued)

	Library Grant	Transit System Grant	Summer Lunch Program
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental	56,747		37,951
Charges for services			
Licenses and permits			
Contributions and donations			
Total revenues	56,747		37,951
Expenditures:			
Current -			
Public safety			
Public works		71,340	
Culture and recreation	9,901		35,927
Capital outlay	19,422		
Debt service -			
Principal			
Total expenditures	29,323	71,340	35,927
Excess (deficiency) of revenues over expenditures	27,424	(71,340)	2,024
Other financing sources (uses):			
Transfers in		19,484	
Transfers out			
Total other financing sources (uses)		19,484	
Change in fund balances	27,424	(51,856)	2,024
Fund balances (deficits), beginning of year	26,997	(90,899)	(32,009)
Fund balances (deficits), end of year	\$ 54,421	\$ (142,755)	\$ (29,985)

<u>Click It or Ticket</u>	<u>EMS</u>	<u>Wildland Grant</u>	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>DWI Program Enforcement</u>
\$ 1,326	\$ 12,872	\$	\$ 296,891	\$	\$ 36,687
<u>1,326</u>	<u>12,872</u>		<u>296,891</u>		<u>36,687</u>
	13,322		3,796		35,578
		2,513	212,851		
	<u>13,322</u>	<u>2,513</u>	<u>216,647</u>		<u>35,578</u>
<u>1,326</u>	<u>(450)</u>	<u>(2,513)</u>	<u>80,244</u>		<u>1,109</u>
<u>1,326</u>	<u>(450)</u>	<u>(2,513)</u>	<u>80,244</u>		<u>1,109</u>
(2,344)	3,069	(4,109)	(81,472)	(74,668)	6,962
<u>\$ (1,018)</u>	<u>\$ 2,619</u>	<u>\$ (6,622)</u>	<u>\$ (1,228)</u>	<u>\$ (74,668)</u>	<u>\$ 8,071</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009
(Continued)

	<u>E-911 Grant</u>	<u>Fire Protection</u>	<u>Roads and Streets</u>
Revenues:			
Municipal and state shared taxes	\$ 932,281	\$	\$ 356,685
Intergovernmental		256,631	
Charges for services	35,909		
Licenses and permits			1,800
Contributions and donations			
Total revenues	<u>968,190</u>	<u>256,631</u>	<u>358,485</u>
Expenditures:			
Current -			
Public safety	974,702	179,676	
Public works			375,634
Culture and recreation			
Capital outlay	81,008	20,405	12,436
Debt service -			
Principal		32,146	
Total expenditures	<u>1,055,710</u>	<u>232,227</u>	<u>388,070</u>
Excess (deficiency) of revenues over expenditures	<u>(87,520)</u>	<u>24,404</u>	<u>(29,585)</u>
Other financing sources (uses):			
Transfers in			83,000
Transfers out	(47,229)		
Total other financing sources (uses)	<u>(47,229)</u>		<u>83,000</u>
Change in fund balances	<u>(134,749)</u>	<u>24,404</u>	<u>53,415</u>
Fund balances (deficits), beginning of year	154,196	52,895	(93,736)
Fund balances (deficits), end of year	<u>\$ 19,447</u>	<u>\$ 77,299</u>	<u>\$ (40,321)</u>

Law Enforcement Protection	Fire Discretionary	Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation
\$ 33,200		\$ 81,886		\$ 20,100	\$
				28,201	
				9,047	
<u>33,200</u>		<u>81,886</u>		<u>57,348</u>	
5,026					
21,449		2,865	32,947	41,486	
<u>26,475</u>		<u>2,865</u>	<u>32,947</u>	<u>41,486</u>	
6,725		79,021	(32,947)	15,862	
(15,321)		(99,413)	58,800		
<u>(15,321)</u>		<u>(99,413)</u>	<u>58,800</u>		
(8,596)		(20,392)	25,853	15,862	
58,508	18,432	19,013	60,211	1,944	(38,003)
<u>\$ 49,912</u>	<u>\$ 18,432</u>	<u>\$ (1,379)</u>	<u>\$ 86,064</u>	<u>\$ 17,806</u>	<u>\$ (38,003)</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	NMDOT Litter Control and Beautification	Municipal Service Improvements	Totals
Revenues:			
Municipal and state shared taxes	\$	\$	\$ 1,394,509
Intergovernmental	1,311	593,334	1,505,434
Charges for services			64,110
Licenses and permits			1,800
Contributions and donations			9,047
Total revenues	<u>1,311</u>	<u>593,334</u>	<u>2,974,900</u>
Expenditures:			
Current -			
Public safety		45,315	1,586,530
Public works		149,875	596,849
Culture and recreation	1,927		130,305
Capital outlay		117,051	517,814
Debt service -			
Principal			32,146
Total expenditures	<u>1,927</u>	<u>312,241</u>	<u>2,863,644</u>
Excess (deficiency) of revenues over expenditures	<u>(616)</u>	<u>281,093</u>	<u>111,256</u>
Other financing sources (uses):			
Transfers in			170,381
Transfers out			(161,963)
Total other financing sources (uses)			<u>8,418</u>
Change in fund balances	<u>(616)</u>	<u>281,093</u>	<u>119,674</u>
Fund balances (deficits), beginning of year	(1,311)		(81,118)
Fund balances (deficits), end of year	<u>\$ (1,927)</u>	<u>\$ 281,093</u>	<u>\$ 38,556</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 2,500	\$ 3,557	\$ 1,057
Total revenues	<u>2,500</u>	<u>3,557</u>	<u>1,057</u>
Expenditures:			
Current -			
Culture and recreation	3,700	2,739	961
Total expenditures	<u>3,700</u>	<u>2,739</u>	<u>961</u>
Change in fund balances	<u>(1,200)</u>	<u>818</u>	<u>2,018</u>
Fund balances, July 1, 2008		1,838	1,838
Fund balances (deficits), June 30, 2009	<u>\$ (1,200)</u>	<u>\$ 2,656</u>	<u>\$ 3,856</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TEEN COURT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 8,000	\$ 6,000	\$ (2,000)
Total revenues	<u>8,000</u>	<u>6,000</u>	<u>(2,000)</u>
Expenditures:			
Current -			
Public safety	30,082	1,374	28,708
Total expenditures	<u>30,082</u>	<u>1,374</u>	<u>28,708</u>
Change in fund balances	<u>(22,082)</u>	<u>4,626</u>	<u>26,708</u>
Fund balances, July 1, 2008		18,397	18,397
Fund balances (deficits), June 30, 2009	<u>\$ (22,082)</u>	<u>\$ 23,023</u>	<u>\$ 45,105</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - WEED AND SEED GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 134,717	\$ 128,748	\$ (5,969)
Total revenues	<u>134,717</u>	<u>128,748</u>	<u>(5,969)</u>
Expenditures:			
Current -			
Public safety	139,770	204,785	(65,015)
Capital outlay		3,614	(3,614)
Total expenditures	<u>139,770</u>	<u>208,399</u>	<u>(68,629)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,053)</u>	<u>(79,651)</u>	<u>(74,598)</u>
Other financing sources (uses):			
Transfers in	5,053	5,053	
Total other financing sources (uses)	<u>5,053</u>	<u>5,053</u>	
Change in fund balances		<u>(74,598)</u>	<u>(74,598)</u>
Fund balances, July 1, 2008		40,105	40,105
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (34,493)</u>	<u>\$ (34,493)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BULLET PROOF VEST GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 4,043	\$	\$ (4,043)
Total revenues	<u>4,043</u>		<u>(4,043)</u>
Expenditures:			
Current -			
Public safety	8,087	2,697	5,390
Total expenditures	<u>8,087</u>	<u>2,697</u>	<u>5,390</u>
Excess (deficiency) of revenues over expenditures	<u>(4,044)</u>	<u>(2,697)</u>	<u>1,347</u>
Other financing sources (uses):			
Transfers in	4,044	4,044	
Total other financing sources (uses)	<u>4,044</u>	<u>4,044</u>	
Change in fund balances		<u>1,347</u>	<u>1,347</u>
Fund balances (deficits), July 1, 2008		(15,873)	(15,873)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (14,526)</u>	<u>\$ (14,526)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - OPERATION BUCKLE DOWN
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 5,000	\$ 6,980	\$ 2,434	\$ (4,546)
Total revenues	<u>5,000</u>	<u>6,980</u>	<u>2,434</u>	<u>(4,546)</u>
Expenditures:				
Current -				
Public safety	9,405	11,385	2,812	8,573
Capital outlay		76,289		76,289
Total expenditures	<u>9,405</u>	<u>87,674</u>	<u>2,812</u>	<u>84,862</u>
Change in fund balances	<u>(4,405)</u>	<u>(80,694)</u>	<u>(378)</u>	<u>80,316</u>
Fund balances (deficits), July 1, 2008			(5,593)	(5,593)
Fund balances (deficits), June 30, 2009	<u>\$ (4,405)</u>	<u>\$ (80,694)</u>	<u>\$ (5,971)</u>	<u>\$ 74,723</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - G.R.E.A.T. GRANT
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$	\$ 13,500	\$ 5,556	\$ (7,944)
Total revenues		<u>13,500</u>	<u>5,556</u>	<u>(7,944)</u>
Expenditures:				
Current -				
Public safety		13,500	8,960	4,540
Total expenditures		<u>13,500</u>	<u>8,960</u>	<u>4,540</u>
Change in fund balances			<u>(3,404)</u>	<u>(3,404)</u>
Fund balances (deficits), July 1, 2008			(8,260)	(8,260)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ (11,664)</u>	<u>\$ (11,664)</u>

**CITY OF ESPANOLA, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COPS IN SCHOOLS GRANT
 YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Expenditures:			
Current -			
Public safety	\$	96,174	\$ (96,174)
Total expenditures		<u>96,174</u>	<u>(96,174)</u>
 Change in fund balances		<u>(96,174)</u>	<u>(96,174)</u>
 Fund balances (deficits), July 1, 2008		(99,648)	(99,648)
 Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>(195,822)</u>	<u>\$ (195,822)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BYRNE JUSTICE ASSISTANCE GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$	\$ 35,160	\$	\$ (35,160)
Total revenues		35,160		(35,160)
Expenditures:				
Current -				
Public safety		4,981	4,980	1
Capital outlay		30,179		30,179
Total expenditures		35,160	4,980	30,180
Change in fund balances			(4,980)	(4,980)
Fund balances, July 1, 2008			8,295	8,295
Fund balances, June 30, 2009	\$	\$	\$ 3,315	\$ 3,315

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - OPERATION DWI STATE GRANT
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 19,775	\$ 34,295	\$ 35,746	\$ 1,451
Total revenues	<u>19,775</u>	<u>34,295</u>	<u>35,746</u>	<u>1,451</u>
Expenditures:				
Current -				
Public safety	19,028	33,548	7,333	26,215
Capital outlay			29,578	(29,578)
Total expenditures	<u>19,028</u>	<u>33,548</u>	<u>36,911</u>	<u>(3,363)</u>
Change in fund balances	<u>747</u>	<u>747</u>	<u>(1,165)</u>	<u>(1,912)</u>
Fund balances (deficits), July 1, 2008			(4,055)	(4,055)
Fund balances (deficits), June 30, 2009	<u>\$ 747</u>	<u>\$ 747</u>	<u>\$ (5,220)</u>	<u>\$ (5,967)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LIBRARY GRANT
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 17,329	\$ 47,329	\$ 56,747	\$ 9,418
Total revenues	<u>17,329</u>	<u>47,329</u>	<u>56,747</u>	<u>9,418</u>
Expenditures:				
Current -				
Culture and recreation			9,901	(9,901)
Capital outlay	17,329	47,329	19,422	27,907
Total expenditures	<u>17,329</u>	<u>47,329</u>	<u>29,323</u>	<u>18,006</u>
Change in fund balances			<u>27,424</u>	<u>27,424</u>
Fund balances, July 1, 2008			26,997	26,997
Fund balances, June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ 54,421</u>	<u>\$ 54,421</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TRANSIT SYSTEM GRANT
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Current -			
Public works	\$ 37,804	\$ 71,340	\$ (33,536)
Total expenditures	<u>37,804</u>	<u>71,340</u>	<u>(33,536)</u>
Excess (deficiency) of revenues over expenditures	<u>(37,804)</u>	<u>(71,340)</u>	<u>(33,536)</u>
Other financing sources (uses):			
Transfers in	37,804	19,484	(18,320)
Total other financing sources (uses)	<u>37,804</u>	<u>19,484</u>	<u>(18,320)</u>
Change in fund balances		<u>(51,856)</u>	<u>(51,856)</u>
Fund balances (deficits), July 1, 2008		(90,899)	(90,899)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (142,755)</u>	<u>\$ (142,755)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SUMMER LUNCH PROGRAM
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 49,269	\$ 38,334	\$ 37,951	\$ (383)
Total revenues	<u>49,269</u>	<u>38,334</u>	<u>37,951</u>	<u>(383)</u>
Expenditures:				
Current -				
Culture and recreation	49,269	38,334	35,927	2,407
Total expenditures	<u>49,269</u>	<u>38,334</u>	<u>35,927</u>	<u>2,407</u>
Change in fund balances			<u>2,024</u>	<u>2,024</u>
Fund balances (deficits), July 1, 2008			(32,009)	(32,009)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ (29,985)</u>	<u>\$ (29,985)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CLICK IT OR TICKET
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 2,499	\$ 1,326	\$ (1,173)
Total revenues	<u>2,499</u>	<u>1,326</u>	<u>(1,173)</u>
Expenditures:			
Current -			
Public safety	2,499		2,499
Total expenditures	<u>2,499</u>		<u>2,499</u>
Change in fund balances		<u>1,326</u>	<u>1,326</u>
Fund balances (deficits), July 1, 2008		(2,344)	(2,344)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (1,018)</u>	<u>\$ (1,018)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - EMS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 12,026	\$ 12,872	\$ 846
Total revenues	<u>12,026</u>	<u>12,872</u>	<u>846</u>
Expenditures:			
Current -			
Public safety	16,710	13,322	3,388
Total expenditures	<u>16,710</u>	<u>13,322</u>	<u>3,388</u>
Change in fund balances	<u>(4,684)</u>	<u>(450)</u>	<u>4,234</u>
Fund balances, July 1, 2008	4,684	3,069	(1,615)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 2,619</u>	<u>\$ 2,619</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - WILDLAND GRANT
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:			
Current -			
Culture and recreation	\$	2,513	\$ (2,513)
Total expenditures		<u>2,513</u>	<u>(2,513)</u>
Change in fund balances		<u>(2,513)</u>	<u>(2,513)</u>
Fund balances (deficits), July 1, 2008		(4,109)	(4,109)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>(6,622)</u>	<u>\$ (6,622)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT TECHNOLOGY GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 213,563	\$ 296,891	\$ 83,328
Total revenues	<u>213,563</u>	<u>296,891</u>	<u>83,328</u>
Expenditures:			
Current -			
Public safety	20,000	3,796	16,204
Capital outlay	193,563	212,851	(19,288)
Total expenditures	<u>213,563</u>	<u>216,647</u>	<u>(3,084)</u>
Change in fund balances		<u>80,244</u>	<u>80,244</u>
Fund balances (deficits), July 1, 2008		(81,472)	(81,472)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (1,228)</u>	<u>\$ (1,228)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIREFIGHTERS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 6,000	\$	\$ (6,000)
Total revenues	<u>6,000</u>		<u>(6,000)</u>
Expenditures:			
Current -			
Public safety	6,000		6,000
Total expenditures	<u>6,000</u>		<u>6,000</u>
Change in fund balances			
Fund balances (deficits), July 1, 2008		(74,668)	(74,668)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (74,668)</u>	<u>\$ (74,668)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DWI PROGRAM ENFORCEMENT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 45,738	\$ 36,687	\$ (9,051)
Total revenues	<u>45,738</u>	<u>36,687</u>	<u>(9,051)</u>
Expenditures:			
Current -			
Public safety	16,160	35,578	(19,418)
Capital outlay	29,578		29,578
Total expenditures	<u>45,738</u>	<u>35,578</u>	<u>10,160</u>
Change in fund balances		<u>1,109</u>	<u>1,109</u>
Fund balances, July 1, 2008		6,962	6,962
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 8,071</u>	<u>\$ 8,071</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - E-911 GRANT
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 932,281	\$ 932,281	\$
Charges for services	12,300	35,909	23,609
Total revenues	<u>944,581</u>	<u>968,190</u>	<u>23,609</u>
Expenditures:			
Current -			
Public safety	990,249	974,702	15,547
Capital outlay		81,008	(81,008)
Total expenditures	<u>990,249</u>	<u>1,055,710</u>	<u>(65,461)</u>
Excess (deficiency) of revenues over expenditures	<u>(45,668)</u>	<u>(87,520)</u>	<u>(41,852)</u>
Other financing sources (uses):			
Transfers out	(47,229)	(47,229)	
Total other financing sources (uses)	<u>(47,229)</u>	<u>(47,229)</u>	
Change in fund balances	<u>(92,897)</u>	<u>(134,749)</u>	<u>(41,852)</u>
Fund balances, July 1, 2008	132,399	154,196	21,797
Fund balances, June 30, 2009	<u>\$ 39,502</u>	<u>\$ 19,447</u>	<u>\$ (20,055)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE PROTECTION
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 226,610	\$ 256,610	\$ 256,631	\$ 21
Total revenues	<u>226,610</u>	<u>256,610</u>	<u>256,631</u>	<u>21</u>
Expenditures:				
Current -				
General government		30,000		30,000
Public safety	216,697	216,697	179,676	37,021
Capital outlay	42,500	42,500	20,405	22,095
Debt service -				
Principal			32,146	(32,146)
Total expenditures	<u>259,197</u>	<u>289,197</u>	<u>232,227</u>	<u>56,970</u>
Change in fund balances	<u>(32,587)</u>	<u>(32,587)</u>	<u>24,404</u>	<u>56,991</u>
Fund balances, July 1, 2008	82,690	82,690	52,895	(29,795)
Fund balances, June 30, 2009	<u>\$ 50,103</u>	<u>\$ 50,103</u>	<u>\$ 77,299</u>	<u>\$ 27,196</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ROADS AND STREETS
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 271,000	\$ 356,685	\$ 85,685
Licenses and permits	2,000	1,800	(200)
Total revenues	<u>273,000</u>	<u>358,485</u>	<u>85,485</u>
Expenditures:			
Current -			
Public works	344,800	375,634	(30,834)
Capital outlay	18,000	12,436	5,564
Total expenditures	<u>362,800</u>	<u>388,070</u>	<u>(25,270)</u>
Excess (deficiency) of revenues over expenditures	<u>(89,800)</u>	<u>(29,585)</u>	<u>60,215</u>
Other financing sources (uses):			
Transfers in	83,000	83,000	
Total other financing sources (uses)	<u>83,000</u>	<u>83,000</u>	
Change in fund balances	<u>(6,800)</u>	<u>53,415</u>	<u>60,215</u>
Fund balances (deficits), July 1, 2008		(93,736)	(93,736)
Fund balances (deficits), June 30, 2009	<u>\$ (6,800)</u>	<u>\$ (40,321)</u>	<u>\$ (33,521)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT PROTECTION
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 33,200	\$ 33,200	\$
Total revenues	<u>33,200</u>	<u>33,200</u>	
Expenditures:			
Current -			
Public safety		5,026	(5,026)
Capital outlay	33,200	21,449	11,751
Total expenditures	<u>33,200</u>	<u>26,475</u>	<u>6,725</u>
Excess (deficiency) of revenues over expenditures		<u>6,725</u>	<u>6,725</u>
Other financing sources (uses):			
Transfers out		(15,321)	(15,321)
Total other financing sources (uses)		<u>(15,321)</u>	<u>(15,321)</u>
Change in fund balances		<u>(8,596)</u>	<u>(8,596)</u>
Fund balances, July 1, 2008		58,508	58,508
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 49,912</u>	<u>\$ 49,912</u>

**CITY OF ESPANOLA, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE DISCRETIONARY
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:			
Capital outlay	\$ 18,432	\$	\$ 18,432
Total expenditures	<u>18,432</u>		<u>18,432</u>
 Change in fund balances	 <u>(18,432)</u>		 <u>18,432</u>
 Fund balances, July 1, 2008		 18,432	 18,432
 Fund balances, June 30, 2009	 <u>\$ (18,423)</u>	 <u>\$ 18,432</u>	 <u>\$ 36,864</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGERS' TAX
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 84,000	\$ 81,886	\$ (2,114)
Total revenues	<u>84,000</u>	<u>81,886</u>	<u>(2,114)</u>
Expenditures:			
Current -			
Culture and recreation	15,000	2,865	12,135
Total expenditures	<u>15,000</u>	<u>2,865</u>	<u>12,135</u>
Excess (deficiency) of revenues over expenditures	<u>69,000</u>	<u>79,021</u>	<u>10,021</u>
Other financing sources (uses):			
Transfers in	50,400		(50,400)
Transfers out	(91,100)	(99,413)	(8,313)
Total other financing sources (uses)	<u>(40,700)</u>	<u>(99,413)</u>	<u>(58,713)</u>
Change in fund balances	<u>28,300</u>	<u>(20,392)</u>	<u>(48,692)</u>
Fund balances, July 1, 2008	73,593	19,013	(54,580)
Fund balances (deficits), June 30, 2009	<u>\$ 101,893</u>	<u>\$ (1,379)</u>	<u>\$ (103,272)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LODGERS' TAX PROMOTIONAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:			
Current -			
Culture and recreation	\$ 50,400	\$ 32,947	\$ 17,453
Total expenditures	<u>50,400</u>	<u>32,947</u>	<u>17,453</u>
Excess (deficiency) of revenues over expenditures	<u>(50,400)</u>	<u>(32,947)</u>	<u>17,453</u>
Other financing sources (uses):			
Transfers in		58,800	58,800
Total other financing sources (uses)		<u>58,800</u>	<u>58,800</u>
Change in fund balances	<u>(50,400)</u>	<u>25,853</u>	<u>76,253</u>
Fund balances, July 1, 2008	50,400	60,211	9,811
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 86,064</u>	<u>\$ 86,064</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIESTA COUNCIL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Municipal and state shared taxes	\$ 20,100	\$ 20,100	\$
Charges for services	23,582	28,201	4,619
Contributions and donations	8,869	9,047	178
Total revenues	<u>52,551</u>	<u>57,348</u>	<u>4,797</u>
Expenditures:			
Current -			
Culture and recreation	68,228	41,486	26,742
Total expenditures	<u>68,228</u>	<u>41,486</u>	<u>26,742</u>
Change in fund balances	<u>(15,677)</u>	<u>15,862</u>	<u>31,539</u>
Fund balances, July 1, 2008	7,379	1,944	(5,435)
Fund balances (deficits), June 30, 2009	<u>\$ (8,298)</u>	<u>\$ 17,806</u>	<u>\$ 26,104</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - U.S. BUREAU OF RECLAMATION
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund balances (deficits), July 1, 2008	\$ 2,324	\$ (38,003)	\$ (40,327)
Fund balances (deficits), June 30, 2009	<u>\$ 2,324</u>	<u>\$ (38,003)</u>	<u>\$ (40,327)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMDOT LITTER CONTROL AND BEAUTIFICATION
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 2,000	\$ 1,311	\$ (689)
Total revenues	<u>2,000</u>	<u>1,311</u>	<u>(689)</u>
Expenditures:			
Current -			
Culture and recreation	2,000	1,927	73
Total expenditures	<u>2,000</u>	<u>1,927</u>	<u>73</u>
Change in fund balances		<u>(616)</u>	<u>(616)</u>
Fund balances (deficits), July 1, 2008		(1,311)	(1,311)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (1,927)</u>	<u>\$ (1,927)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MUNICIPAL SERVICE IMPROVEMENTS
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 666,667	\$ 593,334	\$ (73,333)
Total revenues	<u>666,667</u>	<u>593,334</u>	<u>(73,333)</u>
Expenditures:			
Current -			
Public safety	144,043	45,315	98,728
Public works	262,267	149,875	112,392
Capital outlay	260,357	117,051	143,306
Total expenditures	<u>666,667</u>	<u>312,241</u>	<u>354,426</u>
Change in fund balances		<u>281,093</u>	<u>281,093</u>
Fund balances, July 1, 2008			
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 281,093</u>	<u>\$ 281,093</u>

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2009

	2002 Bond Debt Service	RUS Loan Debt Service	NMFA Loan Intercepts	NMFA Well #9
<u>ASSETS</u>				
Cash and investments	\$	\$	\$ 1,158	\$ 118
Due from other funds				
Total assets	\$	\$	\$ 1,158	\$ 118
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Due to other funds	509,247	24,019		
Total liabilities	509,247	24,019		
Fund balances (deficits):				
Unreserved:				
Undesignated	(509,247)	(24,019)	1,158	118
Total fund balances	(509,247)	(24,019)	1,158	118
Total liabilities and fund balances	\$	\$	\$ 1,158	\$ 118

<u>1994 Bond Reserve</u>	<u>NMFA DWSRF Debt Service</u>	<u>NMED CWSRF Debt Service</u>	<u>Totals</u>
\$ 144,230	\$	\$ 262,278	\$ 407,784
509,247		175,988	685,235
<u>\$ 653,477</u>	<u>\$</u>	<u>\$ 438,266</u>	<u>\$ 1,093,019</u>
\$	\$ 444	\$	\$ 444
	151,969		685,235
	<u>152,413</u>		<u>685,679</u>
653,477	(152,413)	438,266	407,340
<u>653,477</u>	<u>(152,413)</u>	<u>438,266</u>	<u>407,340</u>
<u>\$ 653,477</u>	<u>\$</u>	<u>\$ 438,266</u>	<u>\$ 1,093,019</u>

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	2002 Bond Debt Service	RUS Loan Debt Service	Environmental Department Loan
Expenditures:			
Debt service -			
Principal	380,000		
Interest and fiscal charges	781,176		
Total expenditures	1,161,176		
Excess (deficiency) of revenues over expenditures	1,161,176		
Other financing sources (uses):			
Transfers in	842,128		
Transfers out		(8)	(37)
Total other financing sources (uses)	842,128	(8)	(37)
Change in fund balances	(319,048)	(8)	(37)
Fund balances (deficits), beginning of year	(190,199)	(24,011)	37
Fund balances (deficits), end of year	\$ (509,247)	\$ (24,019)	\$

<u>NMFA Loan Intercepts</u>	<u>NMFA Well #9</u>	<u>1994 Bond Reserve</u>	<u>NMFA DWSRF Debt Service</u>	<u>NMED CWSRF Debt Service</u>	<u>Totals</u>
102,745	37,909		222,175		742,829
56,570	53,869		15,404	1,817	908,836
<u>159,315</u>	<u>91,778</u>		<u>237,579</u>	<u>1,817</u>	<u>1,651,665</u>
<u>159,315</u>	<u>91,778</u>		<u>237,579</u>	<u>1,817</u>	<u>1,651,665</u>
159,266	91,781		89,158	479,167	1,661,500
<u>159,266</u>	<u>91,781</u>		<u>89,158</u>	<u>479,167</u>	<u>1,661,455</u> (45)
(49)	3		(148,421)	477,350	9,790
1,207	115	653,477	(3,992)	(39,084)	397,550
<u>\$ 1,158</u>	<u>\$ 118</u>	<u>\$ 653,477</u>	<u>\$ (152,413)</u>	<u>\$ 438,266</u>	<u>\$ 407,340</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 2002 BOND DEBT SERVICE
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$ 5,000	\$	\$ (5,000)
Total revenues	<u>5,000</u>		<u>(5,000)</u>
Expenditures:			
Debt service -			
Principal	326,667	380,000	(53,333)
Interest and fiscal charges	334,485	781,176	(446,691)
Total expenditures	<u>661,152</u>	<u>1,161,176</u>	<u>(500,024)</u>
Excess (deficiency) of revenues over expenditures	<u>(656,152)</u>	<u>(1,161,176)</u>	<u>(505,024)</u>
Other financing sources (uses):			
Transfers in	907,499	842,128	(65,371)
Total other financing sources (uses)	<u>907,499</u>	<u>842,128</u>	<u>(65,371)</u>
Change in fund balances	<u>251,347</u>	<u>(319,048)</u>	<u>(570,395)</u>
Fund balances (deficits), July 1, 2008		(190,199)	(190,199)
Fund balances (deficits), June 30, 2009	<u>\$ 251,347</u>	<u>\$ (509,247)</u>	<u>\$ (760,594)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - RUS LOAN DEBT SERVICE
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other financing sources (uses):			
Transfers out	\$	\$ (8)	\$ (8)
Total other financing sources (uses)		<u>(8)</u>	<u>(8)</u>
Change in fund balances		<u>(8)</u>	<u>(8)</u>
Fund balances (deficits), July 1, 2008		(24,011)	(24,011)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (24,019)</u>	<u>\$ (24,019)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ENVIRONMENTAL DEPARTMENT LOAN
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other financing sources (uses):			
Transfers out	\$	\$ (37)	\$ (37)
Total other financing sources (uses)		<u>(37)</u>	<u>(37)</u>
Change in fund balances		<u>(37)</u>	<u>(37)</u>
Fund balances, July 1, 2008		37	37
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN INTERCEPTS
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Expenditures:			
Debt service -			
Principal	\$ 98,982	\$ 102,745	\$ (3,763)
Interest and fiscal charges	60,548	56,570	3,978
Total expenditures	<u>159,530</u>	<u>159,315</u>	<u>215</u>
Excess (deficiency) of revenues over expenditures	<u>(159,530)</u>	<u>(159,315)</u>	<u>215</u>
Other financing sources (uses):			
Transfers in	159,530	159,266	(264)
Total other financing sources (uses)	<u>159,530</u>	<u>159,266</u>	<u>(264)</u>
Change in fund balances	<u> </u>	<u>(49)</u>	<u>(49)</u>
Fund balances, July 1, 2008		1,207	1,207
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 1,158</u>	<u>\$ 1,158</u>

**CITY OF ESPANOLA, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA WELL #9
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Expenditures:			
Debt service -			
Principal	\$ 36,443	\$ 37,909	\$ (1,466)
Interest and fiscal charges	55,338	53,869	1,469
Total expenditures	91,781	91,778	3
 Excess (deficiency) of revenues over expenditures	(91,781)	(91,778)	3
 Other financing sources (uses):			
Transfers in	91,781	91,781	
Total other financing sources (uses)	91,781	91,781	
 Change in fund balances	3	3	3
 Fund balances, July 1, 2008		115	115
 Fund balances, June 30, 2009	\$	\$ 118	\$ 118

**CITY OF ESPANOLA, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - 1994 BOND RESERVE
 YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund balances, July 1, 2008	\$	\$ 653,477	\$ 653,477
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 653,477</u>	<u>\$ 653,477</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA DWSRF DEBT SERVICE
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Expenditures:				
Debt service -				
Principal	\$ 78,847	\$ 126,160	\$ 222,175	\$ (96,015)
Interest and fiscal charges	5,132	9,672	15,404	(5,732)
Total expenditures	<u>83,979</u>	<u>135,832</u>	<u>237,579</u>	<u>(101,747)</u>
Excess (deficiency) of revenues over expenditures	<u>(83,979)</u>	<u>(135,832)</u>	<u>(237,579)</u>	<u>(101,747)</u>
Other financing sources (uses):				
Transfers in	84,423	84,423	89,158	4,735
Total other financing sources (uses)	<u>84,423</u>	<u>84,423</u>	<u>89,158</u>	<u>4,735</u>
Change in fund balances	<u>444</u>	<u>(51,409)</u>	<u>(148,421)</u>	<u>(97,012)</u>
Fund balances (deficits), July 1, 2008			(3,992)	(3,992)
Fund balances (deficits), June 30, 2009	<u>\$ 444</u>	<u>\$ (51,409)</u>	<u>\$ (152,413)</u>	<u>\$ (101,004)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMED CWSRF DEBT SERVICE
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Expenditures:			
Debt service -			
Principal	\$ 144,049	\$	\$ 144,049
Interest and fiscal charges	135,119	1,817	133,302
Total expenditures	<u>279,168</u>	<u>1,817</u>	<u>277,351</u>
 Excess (deficiency) of revenues over expenditures	 <u>(279,168)</u>	 <u>(1,817)</u>	 <u>277,351</u>
 Other financing sources (uses):			
Transfers in	279,168	479,167	199,999
Total other financing sources (uses)	<u>279,168</u>	<u>479,167</u>	<u>199,999</u>
 Change in fund balances	 <u></u>	 <u>477,350</u>	 <u>477,350</u>
 Fund balances (deficits), July 1, 2008	 <u></u>	 <u>(39,084)</u>	 <u>(39,084)</u>
 Fund balances, June 30, 2009	 <u>\$</u>	 <u>\$ 438,266</u>	 <u>\$ 438,266</u>

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009

	Plaza Development	NMLA Capital Improvements Grant	NMDOT Grant	USDA Grants
<u>ASSETS</u>				
Cash and investments	\$ 54,725	\$	\$	\$
Total assets	<u>\$ 54,725</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,173	\$ 6,716	\$ 62,932	\$
Due to other funds		165,210	185,761	22,428
Total liabilities	<u>1,173</u>	<u>171,926</u>	<u>248,693</u>	<u>22,428</u>
Fund balances (deficits):				
Unreserved:				
Undesignated	53,552	(171,926)	(248,693)	(22,428)
Total fund balances	<u>53,552</u>	<u>(171,926)</u>	<u>(248,693)</u>	<u>(22,428)</u>
Total liabilities and fund balances	<u>\$ 54,725</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<u>NM SAP W/ WW Project Grant</u>	<u>Federal W/WW Project Grant</u>	<u>NMFA Trust Board</u>	<u>State Water Project Grants</u>	<u>State Agency on Aging Grants</u>	<u>NMFA Loan Reserve</u>
\$ 31,519	\$	\$	\$ 2,744	\$	\$ 458,418
<u>\$ 31,519</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,744</u>	<u>\$</u>	<u>\$ 458,418</u>
\$	\$ 223,216	\$	\$	\$	\$
	102,963	914		22,959	
	<u>326,179</u>	<u>914</u>		<u>22,959</u>	
31,519	(326,179)	(914)	2,744	(22,959)	458,418
<u>31,519</u>	<u>(326,179)</u>	<u>(914)</u>	<u>2,744</u>	<u>(22,959)</u>	<u>458,418</u>
<u>\$ 31,519</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,744</u>	<u>\$</u>	<u>\$ 458,418</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009
(Concluded)

	NMFA PPR Equipment Project Loan	USDA Loan / Police Department	Totals
<u>ASSETS</u>			
Cash and investments	\$ 79,693	\$	\$ 627,099
Total assets	\$ 79,693	\$	\$ 627,099
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$ 294,037
Due to other funds		125,000	625,235
Total liabilities		125,000	919,272
Fund balances (deficits):			
Unreserved:			
Undesignated	79,693	(125,000)	(292,173)
Total fund balances	79,693	(125,000)	(292,173)
Total liabilities and fund balances	\$ 79,693	\$	\$ 627,099

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CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009

	Plaza Development	NMLA Capital Improvements Grant	NMDOT Grant
Revenues:			
Intergovernmental	\$	\$ 267,499	\$ 531,186
Charges for services	6,857		
Total revenues	<u>6,857</u>	<u>267,499</u>	<u>531,186</u>
Expenditures:			
Capital outlay	52,857	364,603	420,608
Debt service - Principal			
Interest and fiscal charges			
Total expenditures	<u>52,857</u>	<u>364,603</u>	<u>420,608</u>
Excess (deficiency) of revenues over expenditures	<u>(46,000)</u>	<u>(97,104)</u>	<u>110,578</u>
Other financing sources (uses):			
Transfers in	38,125		
Total other financing sources (uses)	<u>38,125</u>		
Change in fund balances	<u>(7,875)</u>	<u>(97,104)</u>	<u>110,578</u>
Fund balances (deficits), beginning of year	61,427	(74,822)	(359,271)
Fund balances (deficits), end of year	<u>\$ 53,552</u>	<u>\$ (171,926)</u>	<u>\$ (248,693)</u>

USDA Grants	NM SAP W/ WW Project Grant	Federal W/WW Project Grant	NMFA Trust Board	State Water Project Grants	State Agency on Aging Grants
\$ 52,426	\$	\$ 37,598	\$ 88,932	\$ 817,907	\$ 147,196
<u>52,426</u>		<u>37,598</u>	<u>88,932</u>	<u>817,907</u>	<u>147,196</u>
54,826	19,482	63,603	89,846	855,163	109,305
<u>54,826</u>	<u>19,482</u>	<u>63,603</u>	<u>89,846</u>	<u>855,163</u>	<u>109,305</u>
<u>(2,400)</u>	<u>(19,482)</u>	<u>(26,005)</u>	<u>(914)</u>	<u>(37,256)</u>	<u>37,891</u>
<u>(2,400)</u>	<u>(19,482)</u>	<u>(26,005)</u>	<u>(914)</u>	<u>(37,256)</u>	<u>37,891</u>
(20,028)	51,001	(300,174)		40,000	(60,850)
<u>\$ (22,428)</u>	<u>\$ 31,519</u>	<u>\$ (326,179)</u>	<u>\$ (914)</u>	<u>\$ 2,744</u>	<u>\$ (22,959)</u>

(Continued)

CITY OF ESPANOLA, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009
(Concluded)

	NMFA Loan Reserve	NMFA PPR Equipment Project Loan	NM Board of Finance Project
Revenues:			
Intergovernmental	\$	\$	\$ 50,000
Charges for services			
Total revenues			50,000
Expenditures:			
Capital outlay			250,000
Debt service -			
Principal		106,115	100,000
Interest and fiscal charges		7,463	
Total expenditures		113,578	350,000
Excess (deficiency) of revenues over expenditures		(113,578)	(300,000)
Other financing sources (uses):			
Transfers in		113,592	50,000
Total other financing sources (uses)		113,592	50,000
Change in fund balances		14	(250,000)
Fund balances (deficits), beginning of year	458,418	79,679	250,000
Fund balances (deficits), end of year	\$ 458,418	\$ 79,693	\$

USDA Loan / Police Department	Totals
\$	\$ 1,992,744
	6,857
	<u>1,999,601</u>
	2,280,293
10,300	216,415
5,021	12,484
<u>15,321</u>	<u>2,509,192</u>
<u>(15,321)</u>	<u>(509,591)</u>
15,321	217,038
<u>15,321</u>	<u>217,038</u>
	<u>(292,553)</u>
(125,000)	380
<u>\$ (125,000)</u>	<u>\$ (292,173)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PLAZA DEVELOPMENT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Charges for services	\$ 6,010	\$ 6,857	\$ 847
Total revenues	<u>6,010</u>	<u>6,857</u>	<u>847</u>
Expenditures:			
Capital outlay	104,068	52,857	51,211
Total expenditures	<u>104,068</u>	<u>52,857</u>	<u>51,211</u>
Excess (deficiency) of revenues over expenditures	<u>(98,058)</u>	<u>(46,000)</u>	<u>52,058</u>
Other financing sources (uses):			
Transfers in	38,125	38,125	
Total other financing sources (uses)	<u>38,125</u>	<u>38,125</u>	
Change in fund balances	<u>(59,933)</u>	<u>(7,875)</u>	<u>52,058</u>
Fund balances, July 1, 2008		61,427	61,427
Fund balances (deficits), June 30, 2009	<u>\$ (59,933)</u>	<u>\$ 53,552</u>	<u>\$ 113,485</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMLA CAPITAL IMPROVEMENTS GRANT
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 377,349	\$ 918,172	\$ 267,499	\$ (650,673)
Total revenues	<u>377,349</u>	<u>918,172</u>	<u>267,499</u>	<u>(650,673)</u>
Expenditures:				
Capital outlay	377,349	918,172	364,603	553,569
Total expenditures	<u>377,349</u>	<u>918,172</u>	<u>364,603</u>	<u>553,569</u>
Change in fund balances			<u>(97,104)</u>	<u>(97,104)</u>
Fund balances (deficits), July 1, 2008			(74,822)	(74,822)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ (171,926)</u>	<u>\$ (171,926)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMDOT GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 3,099,364	\$ 531,186	\$ (2,568,178)
Total revenues	<u>3,099,364</u>	<u>531,186</u>	<u>(2,568,178)</u>
Expenditures:			
Capital outlay	3,099,364	420,608	2,678,756
Total expenditures	<u>3,099,364</u>	<u>420,608</u>	<u>2,678,756</u>
Change in fund balances		<u>110,578</u>	<u>110,578</u>
Fund balances (deficits), July 1, 2008		(359,271)	(359,271)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (248,693)</u>	<u>\$ (248,693)</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - USDA GRANTS
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 160	\$ 64,649	\$ 52,426	\$ (12,223)
Total revenues	<u>160</u>	<u>64,649</u>	<u>52,426</u>	<u>(12,223)</u>
Expenditures:				
Capital outlay	160	64,649	54,826	9,823
Total expenditures	<u>160</u>	<u>64,649</u>	<u>54,826</u>	<u>9,823</u>
Change in fund balances			<u>(2,400)</u>	<u>(2,400)</u>
Fund balances (deficits), July 1, 2008			(20,028)	(20,028)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ (22,428)</u>	<u>\$ (22,428)</u>

**CITY OF ESPANOLA, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NM SAP W/WW PROJECT GRANT
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Capital outlay	\$	19,482	\$ (19,482)
Total expenditures		19,482	(19,482)
Change in fund balances		(19,482)	(19,482)
Fund balances, July 1, 2008		51,001	51,001
Fund balances, June 30, 2009	\$	31,519	\$ 31,519

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FEDERAL W/WW PROJECT GRANT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 1,677,479	\$ 37,598	\$ (1,639,881)
Total revenues	<u>1,677,479</u>	<u>37,598</u>	<u>(1,639,881)</u>
Expenditures:			
Capital outlay	1,677,479	63,603	1,613,876
Total expenditures	<u>1,677,479</u>	<u>63,603</u>	<u>1,613,876</u>
Change in fund balances		<u>(26,005)</u>	<u>(26,005)</u>
Fund balances (deficits), July 1, 2008		(300,174)	(300,174)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (326,179)</u>	<u>\$ (326,179)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA TRUST BOARD
YEAR ENDED JUNE 30, 2009

	<u>Budgeted</u> <u>Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 5,771,288	\$ 88,932	\$ (5,682,356)
Total revenues	<u>5,771,288</u>	<u>88,932</u>	<u>(5,682,356)</u>
Expenditures:			
Capital outlay	<u>5,771,288</u>	<u>89,846</u>	<u>5,681,442</u>
Total expenditures	<u>5,771,288</u>	<u>89,846</u>	<u>5,681,442</u>
Change in fund balances		<u>(914)</u>	<u>(914)</u>
Fund balances, July 1, 2008			
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (914)</u>	<u>\$ (914)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STATE WATER PROJECT GRANTS
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 931,491	\$ 817,907	\$ (113,584)
Total revenues	<u>931,491</u>	<u>817,907</u>	<u>(113,584)</u>
Expenditures:			
Capital outlay	931,491	855,163	76,328
Total expenditures	<u>931,491</u>	<u>855,163</u>	<u>76,328</u>
Change in fund balances		<u>(37,256)</u>	<u>(37,256)</u>
Fund balances, July 1, 2008		40,000	40,000
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 2,744</u>	<u>\$ 2,744</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STATE AGENCY ON AGING GRANTS
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 15,842	\$ 32,442	\$ 147,196	\$ 114,754
Total revenues	<u>15,842</u>	<u>32,442</u>	<u>147,196</u>	<u>114,754</u>
Expenditures:				
Capital outlay	15,842	32,442	109,305	(76,863)
Total expenditures	<u>15,842</u>	<u>32,442</u>	<u>109,305</u>	<u>(76,863)</u>
Change in fund balances			<u>37,891</u>	<u>37,891</u>
Fund balances (deficits), July 1, 2008			(60,850)	(60,850)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ (22,959)</u>	<u>\$ (22,959)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN RESERVE
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other financing sources (uses):			
Transfers in	\$ 200,000	\$	\$ (200,000)
Total other financing sources (uses)	<u>200,000</u>	<u></u>	<u>(200,000)</u>
Change in fund balances	<u>200,000</u>	<u></u>	<u>(200,000)</u>
Fund balances, July 1, 2008		458,418	458,418
Fund balances, June 30, 2009	<u>\$ 200,000</u>	<u>\$ 458,418</u>	<u>\$ 258,418</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NMFA PPR EQUIPMENT PROJECT LOAN
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:			
Debt service -			
Principal	\$ 106,115	\$ 106,115	\$
Interest and fiscal charges	7,463	7,463	
Total expenditures	<u>113,578</u>	<u>113,578</u>	
Excess (deficiency) of revenues over expenditures	<u>(113,578)</u>	<u>(113,578)</u>	
Other financing sources (uses):			
Transfers in	113,592	113,592	
Total other financing sources (uses)	<u>113,592</u>	<u>113,592</u>	
Change in fund balances	<u>14</u>	<u>14</u>	
Fund balances, July 1, 2008		79,679	79,679
Fund balances, June 30, 2009	<u>\$ 14</u>	<u>\$ 79,693</u>	<u>\$ 79,679</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NM BOARD OF FINANCE PROJECT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 50,000	\$ 50,000
Total revenues		50,000	50,000
Expenditures:			
Capital outlay	50,000	250,000	(200,000)
Debt service - Principal		100,000	(100,000)
Total expenditures	50,000	350,000	(300,000)
Excess (deficiency) of revenues over expenditures	(50,000)	(300,000)	(250,000)
Other financing sources (uses):			
Transfers in		50,000	50,000
Total other financing sources (uses)		50,000	50,000
Change in fund balances	(50,000)	(250,000)	(200,000)
Fund balances, July 1, 2008		250,000	250,000
Fund balances (deficits), June 30, 2009	\$ (50,000)	\$	\$ 50,000

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - USDA LOAN / POLICE DEPARTMENT
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 125,000	\$	\$ (125,000)
Total revenues	<u>125,000</u>		<u>(125,000)</u>
Expenditures:			
Debt service -			
Principal	10,300	10,300	
Interest and fiscal charges		5,021	(5,021)
Total expenditures	<u>10,300</u>	<u>15,321</u>	<u>(5,021)</u>
Excess (deficiency) of revenues over expenditures	<u>114,700</u>	<u>(15,321)</u>	<u>(130,021)</u>
Other financing sources (uses):			
Transfers in		15,321	15,321
Total other financing sources (uses)		<u>15,321</u>	<u>15,321</u>
Change in fund balances	<u>114,700</u>		<u>(114,700)</u>
Fund balances (deficits), July 1, 2008		(125,000)	(125,000)
Fund balances (deficits), June 30, 2009	<u>\$ 114,700</u>	<u>\$ (125,000)</u>	<u>\$ (239,700)</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - WATER AND WASTEWATER FUND
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 3,676,460	\$ 3,676,460	\$ 4,005,702	\$ 329,242
Municipal and state shared taxes	625,527	625,527	729,059	103,532
Investment income	200	200		(200)
Total revenues	<u>4,302,187</u>	<u>4,302,187</u>	<u>4,734,761</u>	<u>432,574</u>
Expenditures:				
Operations	2,957,239	3,062,439	2,804,636	257,803
Capital outlay	353,393	353,393	162,679	190,714
Debt service -				
Principal	217,304	217,304	217,304	
Interest and fiscal charges	86,819	86,819	86,819	
Total expenditures	<u>3,614,755</u>	<u>3,719,955</u>	<u>3,271,438</u>	<u>448,517</u>
Excess (deficiency) of revenues over expenditures	<u>687,432</u>	<u>582,232</u>	<u>1,463,323</u>	<u>881,091</u>
Other financing sources (uses):				
Transfers in	13,158	13,158	13,158	
Transfers out	(1,185,200)	(1,185,149)	(1,132,666)	52,483
Total other financing sources (uses):	<u>(1,172,042)</u>	<u>(1,171,991)</u>	<u>(1,119,508)</u>	<u>52,483</u>
Change in net assets	<u>\$ (484,610)</u>	<u>\$ (589,759)</u>	<u>343,815</u>	<u>\$ 933,574</u>
Expenses not budgeted:				
Depreciation			(462,411)	
Changes to conform to generally accepted accounting principles:				
Principal repayments			<u>217,304</u>	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ 98,708</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - SOLID WASTE FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$ 572,135	\$ 549,033	\$ (23,102)
Municipal and state shared taxes	240,635	212,467	(28,168)
Total revenues	812,770	761,500	(51,270)
Expenditures:			
Operations	619,683	544,457	75,226
Total expenditures	619,683	544,457	75,226
 Excess (deficiency) of revenues over expenditures	 193,087	 217,043	 23,956
Other financing sources (uses):			
Transfers in			
Transfers out	(26,402)	(26,402)	
Total other financing sources (uses):	(26,402)	(26,402)	
 Change in net assets	 \$ 166,685	 190,641	 \$ 23,956
 Expenses not budgeted:			
Depreciation		(12,044)	
 Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		 \$ 178,597	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL - HOUSING ASSISTANCE FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Revenues:			
Charges for services	\$	\$ 196,686	\$ 196,686
Intergovernmental		964,996	964,996
Investment income		7,780	7,780
Total revenues		1,169,462	1,169,462
Expenditures:			
Operations		849,984	(849,984)
Total expenditures		849,984	(849,984)
Excess (deficiency) of revenues over expenditures	\$	319,478	\$ 319,478
Expenses not budgeted:			
Depreciation		(453,871)	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ (134,393)	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>JUDICIAL</u>				
<u>Assets</u>				
Cash and investments	\$	\$ 58,529	\$ 58,026	\$ 503
Total assets	<u>\$</u>	<u>\$ 58,529</u>	<u>\$ 58,026</u>	<u>\$ 503</u>
<u>Liabilities</u>				
Deposits held for others	\$	\$ 58,529	\$ 58,026	\$ 503
Total liabilities	<u>\$</u>	<u>\$ 58,529</u>	<u>\$ 58,026</u>	<u>\$ 503</u>
 <u>COURT BOND ACCOUNT</u>				
<u>Assets</u>				
Cash and investments	\$ 104,925	\$ 236,712	\$ 191,057	\$ 150,580
Total assets	<u>\$ 104,925</u>	<u>\$ 236,712</u>	<u>\$ 191,057</u>	<u>\$ 150,580</u>
<u>Liabilities</u>				
Deposits held for others	\$ 104,925	\$ 236,712	\$ 191,057	\$ 150,580
Total liabilities	<u>\$ 104,925</u>	<u>\$ 236,712</u>	<u>\$ 191,057</u>	<u>\$ 150,580</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 104,925	\$ 295,241	\$ 249,083	\$ 151,083
Total assets	<u>\$ 104,925</u>	<u>\$ 295,241</u>	<u>\$ 249,083</u>	<u>\$ 151,083</u>
<u>Liabilities</u>				
Deposits held for others	\$ 104,925	\$ 295,241	\$ 249,083	\$ 151,083
Total liabilities	<u>\$ 104,925</u>	<u>\$ 295,241</u>	<u>\$ 249,083</u>	<u>\$ 151,083</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

	Valley National Bank	Community Bank
Bank Accounts:		
Checking/Demand Accounts	\$ 1,433,156	\$ 2,728
Certificates of deposit	3,908,270	
Total amount of deposits in bank	5,341,426	2,728
Less: FDIC coverage	250,000	2,728
Total uninsured public funds	5,091,426	
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	2,545,713	
Pledged collateral		
FHLMC FHR 1379 W, matures October 15, 2022, CUSIP 312912JK5	39,009	
FNMA Pool #60591, matures January 1, 2018, CUSIP 31362GKC4	52,891	
FT BEND CO TX MUD #118 CAL, matures September 1, 2017, CUSIP 346816DR9	245,059	
FHR 2630 KU, matures April 1, 2018, CUSIP 31393RQW3	458,491	
University Southn IN Rev, matures September 1, 2022, CUSIP 914891GQ3	506,478	
FNMA Pool #800447, matures October 1, 2034, CUSIP 31405VHY6	606,442	
HAYS CNTY TX WTR CTL & IMPT DIST NO 1, matures September 1, 2023, CUSIP 421032BQ5	362,181	
KERVILLE CA US SCH DIST CTFS PARN, matures September 1, 2023, CUSIP 492316AT1	153,301	
OROVILLE CA PUB FING AUTH TAS ALLOCATION R, matures June 15, 2023, CUSIP 68723XCP3	215,295	
Total collateral	2,639,147	
Over / (under) secured	\$ 93,434	\$
Custodial Credit Risk:		
Insured	\$ 250,000	\$ 2,728
Collateralized with securities held by pledging financial institutions trust department	5,091,426	
Uninsured and uncollateralized		
Total deposits	\$ 5,341,426	\$ 2,728

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2009

<u>Bank Account Type / Name</u>	<u>Valley National Bank</u>	<u>Community Bank</u>	<u>New Mexico State Treasurer</u>	<u>Bank of Albuquerque</u>	<u>Bank of New York</u>	<u>Total</u>
Checking - General	\$ 1,349,080	\$	\$	\$	\$	\$ 1,349,080
Checking - General		2,728				2,728
Checking - Payroll	1,051					1,051
Checking - Bond Account	80,463					80,463
Checking - Families for Each Other	73					73
Checking - Fire/Police Fund Drive	42					42
Checking - Plaza Development Committee	2,447					2,447
CD - General	2,500,000					2,500,000
CD - General	70,000					70,000
CD - General	58,929					58,929
CD - Water	6,000					6,000
CD - Waste Water	37,000					37,000
CD - Water	700					700
CD - Waste Water	100,000					100,000
CD - Public Housing	652,435					652,435
CD - Section 8	483,206					483,206
Investment - LGIP			2,430,059			2,430,059
Investment - LGIP Reserve Contingency			58,976			58,976
Investment - NMFA Reserve				41,798		41,798
Investment - NMFA Sub Lien Program				589,963		589,963
Investment - NMFA Sub Lien Reserve				555,890		555,890
Investment - NMFA 65th Supp 2005B				92,235		92,235
Investment - Refunding Escrow					2	2
Total on deposit	5,341,426	2,728	2,489,035	1,279,886	2	9,113,077
Reconciling items	(2,622,614)					(2,622,614)
Reconciled balance, June 30, 2009	2,718,812	2,728	2,489,035	1,279,886	2	6,490,463
Total deposits and investments	\$ 2,718,812	\$ 2,728	\$ 2,489,035	\$ 1,279,886	\$ 2	\$ 6,490,463

CITY OF ESPANOLA, NEW MEXICO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2009

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
ASSETS:					
111	Cash - unrestricted	\$ 35,387	\$ 440,483	\$	\$ 475,870
114	Cash - tenant security deposits	38,109			38,109
121	Accounts receivable - PHA projects	49,268	121,567		170,835
126	Accounts receivable - tenants	238,806			238,806
144	Interprogram - due from		363,586		363,586
161	Land	277,437			277,437
162	Buildings	10,444,853			10,444,853
164	Furniture, equipment and machinery - administration	777,912			777,912
166	Accumulated depreciation	(5,749,004)			(5,749,004)
168	Infrastructure	379,289			379,289
TOTAL ASSETS		<u>\$ 6,492,057</u>	<u>\$ 925,636</u>	<u>\$</u>	<u>\$ 7,417,693</u>
LIABILITIES:					
312	Accounts payable	\$ 68,141	\$ 24,750	\$	\$ 92,891
321	Accrued wage/payroll taxes payable				
322	Accrued compensated absences - current portion	15,205			15,205
341	Tenant security deposits	33,326			33,326
347	Interprogram - due to	363,586			363,586
TOTAL LIABILITIES		<u>480,258</u>	<u>24,750</u>		<u>505,008</u>
NET ASSETS					
508.1	Invested in capital assets, net of related debt	6,130,487			6,130,487
512.1	Unrestricted net assets	(118,688)	900,886		782,198
TOTAL NET ASSETS		<u>6,011,799</u>	<u>900,886</u>		<u>6,912,685</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 6,492,057</u>	<u>\$ 925,636</u>	<u>\$</u>	<u>\$ 7,417,693</u>

**CITY OF ESPANOLA, NEW MEXICO
HOUSING ASSISTANCE PROGRAMS
FINANCIAL DATA SCHEDULES
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - ALL HUD PROGRAMS
JUNE 30, 2009**

FDS Line #	Account Description	Low Rent Public Housing 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872	TOTAL
REVENUE:					
703	Net tenant rental income	\$ 111,356	\$	\$	\$ 111,356
706	HUD PHA operating grants	204,778	760,218		964,996
711	Investment income - unrestricted	4,679	3,101		7,780
716	Other revenue		85,330		85,330
	TOTAL REVENUE	<u>320,813</u>	<u>848,649</u>	<u></u>	<u>1,169,462</u>
EXPENSES:					
911	Administrative salaries	85,904	20,167		106,071
914	Advertising and marketing	1,508			1,508
915	Employee benefit contributions - administration		4,583		4,583
917	Legal expense	442			442
918	Travel	939			939
919	Other	28,547	1,817		30,364
921	Tenant services - salaries	84,184			84,184
924	Tenant services - other	549			549
931	Water	3,360			3,360
932	Electricity	5,426			5,426
933	Gas	5,001			5,001
938	Other utilities expense	3,649			3,649
941	Ordinary maintenance and operations - labor	5,050			5,050
942	Ordinary maintenance and operations - materials and other	160,613			160,613
943	Ordinary maintenance and operations - contract costs	40,454			40,454
955	Employee benefit contributions - protective services	45,851			45,851
961	Insurance premiums	2,792			2,792
962	Other general expenses	963			963
	TOTAL OPERATING EXPENSES	<u>475,232</u>	<u>26,567</u>	<u></u>	<u>501,799</u>
973	Housing assistance payments		348,185		348,185
974	Depreciation expense	453,871			453,871
	TOTAL EXPENSES	<u>929,103</u>	<u>374,752</u>	<u></u>	<u>1,303,855</u>
	CHANGE IN NET ASSETS	(608,290)	473,897		(134,393)
	NET ASSETS, BEGINNING OF YEAR	<u>6,620,089</u>	<u>426,989</u>	<u></u>	<u>7,047,078</u>
	NET ASSETS, END OF YEAR	<u>\$ 6,011,799</u>	<u>\$ 900,886</u>	<u>\$</u>	<u>\$ 6,912,685</u>

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SINGLE AUDIT 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**

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Espanola, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Espanola, New Mexico as of and for the year ended June 30, 2009, which collectively comprise City of Espanola, New Mexico's basic financial statements and have issued our report thereon dated November 15, 2010. We were also engaged to audit the financial statements of each of the City's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying Supplementary Information as of and for the year ended June 30, 2009, as listed in the table of contents. We were unable to express an opinion on those financial statements because the City did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, housing assistance activity, utility accounts receivable (water, wastewater, and solid waste), and payroll and disbursement expenditures.

Internal Control Over Financial Reporting

In planning and performing the engagement to audit the financial statements, we considered City of Espanola, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Espanola, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Espanola, New Mexico's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 00-03, FS 03-01, FS 05-01, FS 05-03, FS 05-19, FS 05-21, S 05-52, FS 08-01, FS 08-02, FS 08-03, FS 08-04, FS 08-05, and FS 09-1 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items FS 03-01, FS 05-01, FS 05-19, FS 05-21, FS 05-52, FS 08-01, FS 08-03, FS 08-04, and FS08-05 to be material weaknesses.

Compliance and Other Matters

As part of being engaged to obtain reasonable assurance about whether City of Espanola, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as FS 03-01 and FS 05-21.

We noted certain matters that are required to be reported under *Governmental Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Responses as findings FS 00-03, FS 05-03, FS 05-21, FS 08-06, FS 08-07, and FS 08-08.

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

This report is intended solely for the information and use of management, others within the City, the City Council, the Office of the State Auditor, the New Mexico Legislature, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 15, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Espanola, New Mexico

Compliance

We have audited the compliance of City of Espanola, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Espanola, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Espanola, New Mexico's management. Our responsibility is to express an opinion on City of Espanola, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Espanola, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Espanola, New Mexico's compliance with those requirements.

As described in items FA 03-01, FA 05-25, FA 05-43, FA 08-01, and FA 08-02 in the accompanying Schedule of Findings and Questioned Costs, the City of Espanola, New Mexico did not comply with requirements regarding activities allowable or unallowable, allowable cost/cost principles, reporting, eligibility, and special tests and provisions compliance requirements that are applicable to its Public and Indian Housing and Section 8 Housing Choice Vouchers major Federal programs. Compliance with such requirements is necessary, in our opinion, for the City of Espanola, New Mexico to comply with requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the City of Espanola, New Mexico did not comply in all material respects, with the requirements referred to above that are applicable to Public and Indian Housing and Section 8 Housing Choice Vouchers major Federal programs.

Internal Control Over Compliance

The management of City of Espanola, New Mexico is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Espanola, New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Espanola, New Mexico's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA 03-01, FA 05-25, FA 05-43, FA 08-01, and FA 08-02 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FA 03-01, FA 05-25, FA 05-43, FA 08-01, and FA 08-02 to be material weaknesses.

City of Espanola, New Mexico's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Espanola, New Mexico's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the City, the City Council, the Office of the State Auditor, the New Mexico Legislature, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 15, 2010

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed through New Mexico Department of Finance and Administration: Summer Food Service Program for Children	10.559	\$ 35,927
<u>U.S. Department of Housing and Urban Development</u>		
Direct program: Public and Indian Housing	14.850	204,778
Section 8 Housing Choice Vouchers	14.871	<u>374,752</u>
Total U.S. Department of Housing and Urban Development		<u>579,530</u>
<u>U.S. Department of Justice</u>		
Direct programs: Edward Byrne Memorial Formula Grant Program	16.579	4,981
Community Capacity Development Office	16.595	208,399
Passed through New Mexico Department of Finance and Administration: Law Enforcement Technology Grant	16.unknown	<u>212,048</u>
Total U.S. Department of Justice		<u>425,428</u>
<u>U.S. Department of Transportation</u>		
Passed through New Mexico Department of Finance and Administration: Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	35,746
Passed through Rio Arriba County: Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>35,578</u>
Total U.S. Department of Transportation		<u>71,324</u>
<u>Environmental Protection Agency</u>		
Direct program: Congressionally Mandated Projects (Wastewater Treatment Facility)	66.202	<u>37,598</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,149,807</u></u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Espanola, New Mexico and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted?

X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Type of auditors' report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes X no

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FS 00-03 Exceeded Budget Authority

CONDITION

In violation of New Mexico State Statute, the following funds exceeded the budgeted amounts as submitted to the State of New Mexico.

	<u>Excess</u>		<u>Excess</u>
Capital Projects Grant	\$ 101,197	Roads and Streets	\$ 25,270
Weed and Seed Grant	68,629	2002 Bond Debt Service	500,024
COPS in Schools Grant	96,174	NMFA DWSRF Debt Service	101,747
Operation DWI State Grant	3,363	NM SAP W/WW Project Grant	19,482
Transit System Grant	33,536	State Agency on Aging Grants	76,863
Wildland Grant	2,513	NM Board of Finance Project	300,000
Law Enforcement Technology Grant	3,084	USDA Loan / Police Department	5,021
E-911 Grant	65,461	Housing Assistance	849,984

CRITERIA

All City funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6-2-A, 1978.

EFFECT

The City exceeded the approved expenditure budgets of the funds noted. According to NMSA 6-6-6 1978, any expenditure in excess of the approved budget may be determined to be a liability of the officials authorizing such expenditure.

CAUSE

The funds exceeded the approved budget due to ineffective monitoring of budget capacity.

RECOMMENDATION

The City must follow New Mexico State law and all mandated budgetary requirements. If the lack of budget monitoring is due to limited staff and training, the City should allocate the necessary resources to remedy such situations.

AGENCY RESPONSE

We agree with this finding and recommendation. The City submitted the 2010-2011 budget to the New Mexico Department of Finance Division (DFA) Local Government on time and the DFA approved the budget in a timely manner for the first time in many years. The City Finance Department is following state law and monitoring spending on a daily basis. The City Finance Department will not authorize expenditures without the approval of the City Manager or the Administration Service Director (ASD). Procedures are being created to ensure funds do not exceed budget amounts.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 03-01 Late Audit Report

CONDITION

The City did not submit its annual financial report prior to the deadline. The audit report was submitted on November 17, 2010.

CRITERIA

Per 2.2.2.9 NMAC, the City was required to submit its fiscal year 2008-09 annual financial report to the New Mexico State Auditor by December 1, 2009.

EFFECT

The City was not in compliance with the State Auditor rule 2.2.2.9(A). Users of the financial statements (i.e. legislators, creditors, bondholders, and state and federal grantors) do not have timely audit reports and financial statements available for their review. Also, due to the late timing of the report, it will be more difficult for the City to correct deficiencies that result in findings.

CAUSE

The City experienced turnover in key management and accounting positions.

RECOMMENDATION

The City should develop policies and procedures that ensure financial records are ready for audit in a timely manner so that future fiscal periods' financial reports can be submitted prior to the deadline.

AGENCY RESPONSE

We agree with this finding and recommendation. The Mayor and the Governing Body are extremely committed to ensuring future audits are completed in a timely manner. We will draft policies and procedures to ensure financial records are ready for audit in a timely manner. Further, the Mayor has hired two individuals in Finance with a combination of 57 years of Federal Auditing and Public Accounting experience; and a Certified Public Accountant to improve the City's financial records and ensure the financial reporting system is maintained accurately and completely. Further, the IPA was not timely in preparing the draft report as acknowledged by personnel representing the IPA.

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

FS 05-01 *Insufficient Capital Asset Support*

CONDITION

The City does not have adequate procedures in place in order to provide capital assets schedules required for financial reporting purposes. In addition, a complete physical inventory has not been completed. The City also did not calculate depreciation expense for fiscal year 2008-09. The amounts reported in the financial statements are estimated, and current year capital outlay expenditures/expenses were not analyzed for capitalization.

CRITERIA

The City must ensure that it accounts for capital assets in accordance with generally accepted accounting principles, GASB Statement 34 and Section 6-6-3 and Section 12-6-10 NMSA 1978.

EFFECT

The amounts reported for capital assets are likely materially misstated. A disclaimer opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the capital assets balances and related accounts. In addition, the City is not in compliance with Section 6-6-3 NMSA 1978.

CAUSE

Due to turnover and a lack of sufficient and/or qualified staff in positions responsible for capital assets, the City has not maintained adequate and accurate capital assets records and schedules.

RECOMMENDATION

The City should allocate the necessary resources toward the implementation and maintenance of a capital asset tracking system that ensures compliance with the required criteria stated above.

AGENCY RESPONSE

We agree with this finding and recommendation. The City has policies and procedures in place regarding Capital Assets. The policies and procedures are referenced in the City of Espanola Purchasing and Procurement Policy, Adopted May 14, 2007. In April of 2010 the City completed a physical inventory and has incorporated all capital assets in its Caselle Accounting System for calculating depreciation. The Mayor has hired qualified staff to ensure this issue is addressed. We agree that, in the past, a lack of sufficient and or qualified staff did not maintain adequate controls over Capital Assets.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 05-03 Violations of City's Procurement Policies

CONDITION

The following was noted during our review of procurement records.

- For two of two proposals reviewed, the City did not indicate in writing that the use of competitive sealed bidding was not practical or advantageous. (expenditures of \$327,515)
- For two of two proposals reviewed, the City did not publish the invitation for proposal in at least three newspapers of general circulation in the area in which the central purchasing office is located. (expenditures of \$327,515)
- For one of two proposals reviewed, the City did not use all of the established evaluation criteria during the proposal review process. (expenditures of \$185,615)
- For two of two bids reviewed, the City did not publish the invitation for bid in at least three newspapers of general circulation in the area in which the central purchasing office is located. (expenditures of \$376,928)
- For two of two bids reviewed, not all vendor responses had evidence of time or date stamps; and not all vendor responses had evidence of the receiver's initials. (expenditures of \$376,928)
- For one of two bids reviewed, the bid did not include contractual terms and conditions, nor the date, time, and place of the bid opening. (expenditures of \$376,928)
- For one of two bids reviewed, the bid did not have an evaluation criteria included. (expenditures of \$376,928)
- For one of five written threshold purchases reviewed, there was no evidence written quotes were obtained. (expenditures of \$21,425)
- For two of five verbal threshold purchases reviewed, there was no evidence verbal quotes were obtained. (expenditures of \$9,706)
- For three of five verbal threshold purchases reviewed, there was evidence of only one quote obtained. (expenditures of \$14,091)

CRITERIA

State Procurement Code, Sections 13-1-125, 13-1-103 through 13-1-110, and 13-1-111 through 13-1-122 NMSA 1978; as well as the City's policy, requires the use of competitive bids or sealed proposals for purchases exceeding the prescribed threshold and the use of quotes below that threshold.

EFFECT

The City's purchasing policies are not enforced consistently and could result in higher costs for goods and services being charged to the City. Additionally, the lack of record retention increases the City's risk to procurement violations.

CAUSE

The City's purchasing department did not consistently enforce City procurement policy.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 05-03 Violations of City's Procurement Policies

RECOMMENDATION

The City should both review its purchasing policy for necessary updates, as well as stringently enforce those rules prior to processing any payments to vendors.

AGENCY RESPONSE

We agree with this finding and recommendation. The City has policies and procedures in place regarding procurement. The policies and procedures are referenced in the City of Espanola Purchasing and Procurement Policy, Adopted May 14, 2007. The City Finance Department is following state law and monitoring spending on a daily basis. The City Finance Department will not authorize expenditures without the approval of the City Manager or the Administration Service Director (ASD). Procedures are being created to ensure funds do not exceed budget amounts. We agree that, in the past, the City did not enforce the procurement policy and there was a lack of sufficient and or qualified staff did not maintain adequate controls over purchases

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 05-19 Cash Controls and Monitoring

CONDITION

Several City bank accounts were not recorded on the City's general ledger. Additionally, the City had material unreconciled balances in several funds at June 30, 2009. Finally, the City was unable to provide the auditors with June 2009 bank statements for several bank accounts.

CRITERIA

The City is responsible for establishing and maintaining internal controls that include controls over cash and investments in order to meet the financial reporting objectives of the City.

EFFECT

The amounts reported for cash and investments are likely materially misstated. Additionally, fraud risk is heightened without timely reconciliation of bank accounts. A disclaimer of opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the cash and investments balances.

CAUSE

The City did not have a procedure for tracking bank accounts to ensure that all are captured on the general ledger and reconciled.

RECOMMENDATION

The City should review all existing bank accounts and ensure their inclusion in the general ledger. The City should also develop and enforce a policy that makes timely reconciliation of all bank accounts required.

AGENCY RESPONSE

We agree with this finding and recommendation. We are drafting policies and procedures and implementing internal controls over cash and investments in order to meet the financial reporting objectives of the City. Further, the City has hired personnel and a Certified Public Accountant with significant audit experience and financial background to properly account for cash, through verification of balances and transactions against supporting documentation and bank accounts. The City is currently reconciling all bank statements and verifying that the cash balances in the general ledger are accurate for each fund.

Further, the Finance Department is monitoring cash using cash management with the local bank handling the City's accounts. Also, the Finance Department started a daily cash monitoring process to ensure fund availability to address the City's needs and to control and ensure each disbursement is reasonable and necessary for the operation of the City. The ASD verifies the accuracy of the reconciliation. On a monthly basis, the City is submitting a spreadsheet cash flow analysis to the DFA which is verified by the ASD. The City is working on policies and procedures to address cash and instituting internal controls.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 05-21 Missing Housing Assistance Fund Accounting Records

CONDITION

The City did not maintain nor retain complete accounting records for the Housing Assistance operations. A service organization was utilized to reconstruct Housing Assistance records for financial reporting and audit purposes.

CRITERIA

The City is responsible for establishing and maintaining internal controls over Housing Assistance operations in order to meet the financial reporting objectives of the City.

EFFECT

The City is at risk of undetected misstatements in financial statements. Additionally, fraud risk is heightened without proper maintenance of Housing Assistance financial records. A disclaimer of opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the Housing Assistance Fund account balances and transaction classes.

CAUSE

The City did not maintain complete accounting records for the Housing Assistance operations.

RECOMMENDATION

The City should retain all accounting records and record all Housing Assistance accounting activity in the general ledger.

AGENCY RESPONSE

We agree with this finding and recommendation. The Housing operations are no longer under the cognizant of the City of Espanola.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 05-52 *Incomplete Records*

CONDITION

During our review of the City's controls over disbursements, we noted the following:

- For six of 25 disbursements reviewed, we determined that the purchase order was prepared after the purchase was made (total purchases of approximately \$24,000).
- For 14 of 55 disbursements reviewed, the City did not maintain adequate documentation to support the payment (total purchases of approximately \$125,000).

CRITERIA

The City's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services. Additionally, supporting documentation is to be retained to evidence the purpose of the purchases.

EFFECT

The City is at risk of misstatements to the financial statements. A disclaimer of opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on disbursement transactions of the City.

CAUSE

The City's document retention and purchase authorization practices were not adequately enforced.

RECOMMENDATION

The City should exercise more caution with its document retention and purchase authorization procedures to ensure similar instances do not occur.

AGENCY RESPONSE

We agree with this finding and recommendation. The ASD ensures all purchase requisitions and purchase orders are reviewed and approved before the procurement of goods and services. The Finance Department has been diligently working to organize purchase requests and vouchers and ensure that all documentation is maintained for all transactions that are processed through accounts payable. The Department has instituted a checkout card procedure for those files that are pulled for public inspection in order to ensure that files and documents are tracked and that control is maintained to avoid misplacement or misfiling. These procedures have been extended to the payroll process as well. We are drafting policies and procedures to address incomplete records and the ASD will ensure these policies and procedures are enforced. The goal of the City is avoid a disclaimer in the future and this has a high priority with Management. The City purchased software to scan all records into the server to ensure records are kept for future audits and inspection.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-01 Accounts Receivables Records and Procedures

CONDITION

The City does not reconcile the accounts receivable and the customer deposits accounts reported on the general ledger to the listing of outstanding balances tracked by the billing module for utility billings.

CRITERIA

According to generally accepted accounting principles, the general ledger and its subsidiary ledger of customer accounts should reflect true, collectible receivables due to the City for services provided, as well as customer deposits.

EFFECT

The City's general ledger and subsidiary customer ledger potentially include significant amounts of uncollectible accounts receivable, as well as inaccurate reporting of customer deposits. A disclaimer of opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the Water and Wastewater and Solid Waste accounts receivable accounts and related revenue transactions.

CAUSE

The City does not have a procedure for reconciling the general ledger to the subsidiary customer account ledger to ensure proper reporting of collectible balances and customer deposits.

RECOMMENDATION

Management should adjust the customer account balances recorded in the general ledger and subsidiary customer ledger to properly reflect the customer balances that are estimated to be collectible, or that are subject to customer reversion.

AGENCY RESPONSE

We agree with this finding and recommendation. We are in the process of reconciling the customer deposits to the general ledger for each month in fiscal year 2010. Our accounting procedures will be modified to incorporate this process on a monthly basis in the future.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-02 Approval of Adjusting Journal Entries

CONDITION

For five of ten journal entries reviewed, the City could not provide supporting documentation or evidence of proper authorization.

CRITERIA

Sufficient internal controls require a segregation of duties for the authorization and preparation of journal entries as well as the maintenance of physical records to ensure compliance with Section 6-6-3 NMSA 1978.

EFFECT

The City is unable to demonstrate that journal entries were approved by someone other than the preparer and may be at risk of undetected misstatements and/or fraud. Additionally, adequate supporting documentation was not maintained.

CAUSE

Insufficient policies and procedures over the journal entry process.

RECOMMENDATION

The City should develop a journal entry process that indicates who is authorized to prepare journal entries as well as who is authorized to approve journal entries. Additionally, the process should address the maintenance of physical records that demonstrate the purpose of the adjustments.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the ASD is approving all journal entries for the year 2010. Our accounting procedures will be modified to incorporate this process on a daily and monthly basis in the future. Also, internal controls will be implemented requiring segregation of duties for the authorization and preparation of journal entries as well as the maintenance of physical records to ensure compliance with Section 6-6-3 NMSA 1978.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-03 *Insufficient Controls Over the Financial Statement Process*

CONDITION

The City's management did not have adequate internal control procedures in place over the financial statements issued by the City using the basis of accounting required by GAAP. Additionally, the City did not have adequate internal control procedures in place over the Schedule of Expenditures of Federal Awards (SEFA). These controls include the use of a financial statement checklist during the review of the report draft, documented review procedures, identification of management and/or staff to review the draft, and verifying amounts reported in the report draft to underlying records, schedules and grant agreements.

CRITERIA

City 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 City, as well as the SEFA. The City's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the City; rather it must also include controls over the GAAP basis financial statements and the SEFA. As such, management requested the auditors to prepare a draft of the financial statements, including related note disclosures and the SEFA. The outsourcing of these services is a result of management's cost benefit decision to rely on the accounting expertise of the auditors.

EFFECT

The City's internal controls over financial reporting at the financial statement level and the SEFA are not adequate to ensure that a misstatement would be prevented and/or detected.

CAUSE

The City's small size and turnover in key management and accounting positions contribute to difficulties in establishing controls over financial reporting at the financial statement level and the preparation of the SEFA.

RECOMMENDATION

The City must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements. Specifically, the City should use checklists to aid in the review of the financial statements and related notes to the financial statements. Additionally, the City should design and implement effective internal control procedures to ensure the SEFA is accurately and completely prepared.

AGENCY RESPONSE

We agree with this finding and recommendation. The City has hired personnel and a Certified Public Accountant with significant audit experience and financial background. The City is currently implementing internal controls and procedures that ensure the data in the accounting and reporting system is accurate and complete and fully documented.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-04 Year-end Cutoff

CONDITION

The City does not have a formal procedure in place to identify and record significant accruals existing at year end.

CRITERIA

According to generally accepted accounting principles, the City must record expenditures in the year that goods or services were received and record revenues in the year which they are earned.

EFFECT

The City is at risk of misstatements to the financial statements. A disclaimer of opinion was issued on the City's financial statements due to our inability to sufficiently complete year-end cutoff audit procedures necessary to render an opinion on the financial statements account balances and transaction classes.

CAUSE

The City does not have a procedure to monitor year-end activity to determine proper fiscal year posting.

RECOMMENDATION

The City should implement a mechanism to track year-end activity, then properly record the applicable year-end accruals.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City has hired personnel and a Certified Public Accountant with significant audit experience and with financial background. The year-end accounting and reporting process will be modified to include year-end accruals. This modification will ensure that accruals are fully supported and documented in order for the financial statements generated from the system represent an accurate financial picture for the City.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-05 Insufficient Controls Over Payroll and Fraud Related Item

CONDITION

During our review of the City's controls over the payroll process, we noted the following:

- For five of 16 employees reviewed, the City could not demonstrate how the gross pay was calculated.
- For ten of 16 employees reviewed, the City could not demonstrate that the correct PERA amount was withheld.
- For one of 16 employees reviewed, the City was unable to provide the applicable employee timecard.

Additionally, the City detected several instances of payroll fraud involving duplicate payments to certain employees that occurred during fiscal year 2008-09. The fraud was facilitated by the City's insufficient controls over cash and its insufficient segregation of duties over the payroll function. This issue is currently under investigation by applicable law enforcement agencies.

CRITERIA

The City is responsible for developing an effective system of internal control over the payroll process designed to prevent or detect the occurrence of unauthorized actions.

EFFECT

Payroll related account balances and transaction classes may be materially misstated. In addition, unauthorized and fraudulent payroll transactions occurred. As we were unable to assess the scope of the fraudulent activity, a disclaimer of opinion was issued due to our inability to sufficiently complete the audit objectives for payroll expenditures.

CAUSE

The City's document retention and payroll policies were not adequately enforced.

RECOMMENDATION

The City should assess the current payroll procedures and consider implementing additional oversight and staffing.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City has hired personnel and a Certified Public Accountant with significant audit experience and financial background. The current payroll process has the requisite internal controls in place to ensure that payroll is accurate, amounts paid have supporting documents and that the related liabilities are paid according to the laws and regulations that govern wages.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

FS 08-06 Purchasing Card Transactions

CONDITION

For all P-card transactions occurring in fiscal year 2008-09 reviewed, the City did not have supporting documentation to demonstrate the purpose or allowability of the transactions. Additionally, the City could not provide evidence of proper authorizations.

CRITERIA

Management is responsible for developing an effective system of internal control over financial reporting, which includes controls over P-card transactions. In addition, City Policy and NMSA require sufficient supporting documentation for expenditures.

EFFECT

Monitoring of P-card purchases is a key internal control activity which helps ensure the accuracy of transactions and provides assurances with respect to public funds. The internal controls over P-card transactions were not adequate to ensure processing of authorized transactions.

CAUSE

P-card purchases did not follow the City's policies.

RECOMMENDATION

Management should implement effective internal controls to ensure effective monitoring and use of P-card transactions.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City has closed all its P-Card accounts. Further, we are implementing policies and procedures for monitoring Fuel Cards to ensure the accuracy of transactions and provide assurances with respect to public funds.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)**

FS 08-07 Deficits in Budgeted and Actual Fund Balances

CONDITION

The City's budget process resulted in several budgeted fund balance deficits at June 30, 2009. In addition, a number of the City's funds had actual fund balance deficits at June 30, 2009.

CRITERIA

All funds are to be budgeted with yearly expenditures limited to yearly income, Section 6-6-11 NMSA 1978. In addition, actual expenditures should not exceed available resources.

EFFECT

The City had a deficit in budgeted fund balances in several funds at June 30, 2009. Budgeted deficits may result in ineffective budget controls. In addition, the City is not in compliance with 6-6-11 NMSA 1978.

CAUSE

Ineffective budgeting and accounting controls resulted in budgeted and actual deficits in fund balances.

RECOMMENDATION

The City should ensure that deficit fund balances are not budgeted or reported in the City's financial statements.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City has hired personnel and a Certified Public Accountant with significant audit experience and financial background to prepare and monitor the budget in compliance with 6-6-11 NMSA 1978. We have a monitoring process in place that will ensure the budget guidelines are adhered to and that future budgets will be in compliance with State laws and regulations.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Concl'd)**

FS 08-08 Incorrect Travel Expense Reimbursements

CONDITION

For one of six travel expenses reviewed, we determined that the City overpaid an employee \$430.95 due to an incorrect calculation.

CRITERIA

The City must ensure that it reimburses employee travel according to 10-8-1 through 10-8-8 NMSA 1978.

EFFECT

The City did not reimburse employees' travel expenses in accordance with New Mexico statutes.

CAUSE

The City does not have adequate procedures for monitoring and reimbursing employee travel expenses in accordance with New Mexico statutes.

RECOMMENDATION

The City should allocate the resources necessary to properly monitor and reimburse employee travel to ensure compliance with New Mexico statutes.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City is drafting policies and procedures for monitoring and reimbursing employee travel expenses in accordance with New Mexico statutes. Our procedures will be formalized to ensure consistent application of checks and balances

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

FS 09-01 Lack of Formal Information Technology (IT) Policies

CONDITION

The City does not have a formal IT policy that governs data backup, data security, password rotations, permissions or scheduled maintenance; nor does the personnel policy cover the importance of data integrity or password secrecy.

CRITERIA

City management is responsible for establishing and maintaining internal controls that include controls over the various processes and functions that utilize computerized systems.

EFFECT

The City's primary computerized functions (e.g. accounts payable, payroll, human resources, journal entries, utility billings, cash receipting) are susceptible to unauthorized manipulation and could result in material misstatements in the financial statements, as well as fraudulent activity.

CAUSE

The City has not established IT policies that effectively minimize potential risks.

RECOMMENDATION

The City must design and implement effective internal control procedures over the IT function to ensure the financial statements are free from material misstatements and to help prevent fraudulent activity.

AGENCY RESPONSE

We agree with this finding and recommendation. Currently, the City is in the process of hiring an IT firm to address data security, password rotations, permissions or scheduled maintenance. We agree the personnel policy does not cover the importance of data integrity or password secrecy. Further, we are drafting IT policies that effectively minimize potential risks and implementing effective internal control procedures over the IT function to ensure the financial statements are free from material misstatements and to help prevent fraudulent activity.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

FA 03-01 Late Audit Report

Program Name: Public and Indian Housing,
Section 8 Housing Choice Vouchers
Grantor Number: Unavailable
Funding Agency: U.S. Department of Housing and Urban Development

Questioned Costs: None identified
CFDA Number: 14.850, 14.871

CONDITION

The City's audit reports were not submitted to the Federal Clearinghouse or HUD within nine months following the end of the fiscal year.

CRITERIA

Section 320(a) Circular A-133, requires that the single audit reporting package be submitted within nine months after the end of the audit period, unless a longer period is agreed to by the oversight agency. Additionally, the Office of Housing and Urban Development (HUD) requires that the City submit its audited HUD Real Estate Assessment Center (REAC) report within nine months after year-end.

EFFECT

Due to the late submission of the City's single audit reporting package and the REAC submission, the City is not in compliance with OMB Circular A-133 report submission requirements as well as HUD reporting requirements. In addition, the City may be subject to a penalty housing subsidy reduction due to a late REAC submission.

CAUSE

The City has had significant turnover in key management and financial positions. Additionally, the City has not sufficiently maintained the housing operations accounting records.

RECOMMENDATION

The City should consider allocating the necessary resources and/or limit turnover of management and financial positions to ensure adequate staffing of personnel and internal control procedures over timely completion of audit areas.

AGENCY RESPONSE

We agree with this finding and recommendation. The Housing operations are no longer under the cognizant of the City of Espanola.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Cont'd)**

FA 05-25 Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant

CRITERIA

The City is responsible for establishing and maintaining internal controls that ensure compliance with Federal grant requirements related to the Section 8 Housing Choice Vouchers program (24 CFR parts 5, 982 and 985).

EFFECT

The City is not in compliance with OMB Circular A-133 and HUD grant requirements. Due to our inability to sufficiently complete audit procedures for internal controls over compliance and the compliance requirements of the Section 8 Housing Choice Vouchers Program a qualified opinion was issued on this program.

CAUSE

The City has not sufficiently maintained its Federal Section 8 Housing Choice Vouchers program.

RECOMMENDATION

The City should consider allocating the necessary resources to implement internal controls over the administration of the Federal Section 8 Housing Choice Vouchers program to ensure compliance with Federal grant requirements.

AGENCY RESPONSE

We agree with this finding and recommendation. The Housing operations are no longer under the cognizant of the City of Espanola. However, any future non-housing federal awards or grants will be monitored and internal controls will be implemented.

FA 05-43 Insufficient Capital Asset Support for the Public and Indian Housing Program

Program Name: Public and Indian Housing

Questioned Costs: None identified

Grantor Number: Unavailable

CFDA Number: 14.850

Funding Agency: U.S. Department of Housing and Urban Development

Refer to audit item FS 05-01.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Concl'd)**

FA 08-01 Insufficient Controls Over the Federal Public and Indian Housing Grant

CAUSE

The City has not sufficiently maintained its Federal Public and Indian Housing programs.

RECOMMENDATION

The City should consider allocating the necessary resources to implement internal controls over the administration of the Federal Public and Indian Housing program to ensure compliance with Federal grant requirements.

AGENCY RESPONSE

We agree with this finding and recommendation. The Housing operations are no longer under the cognizant of the City of Espanola. However, any future non-housing federal awards or grants will be monitored and internal controls will be implemented.

FA 08-02 Missing Housing Assistance Federal Financial Records

Program Name: Public and Indian Housing,
Section 8 Housing Choice Vouchers

Questioned Costs: None identified
CFDA Number: 14.850, 14.871

Grantor Number: Unavailable

Funding Agency: U.S. Department of Housing and Urban Development

Refer to audit item FS 05-21.

**CITY OF ESPANOLA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

Status of Prior Year Findings

Finding No. FS 00-03 Status: Repeated.	Finding No. FS 08-02 Status: Repeated.	Finding No. FA 05-25 Status: Repeated.
Finding No. FS 03-01 Status: Repeated.	Finding No. FS 08-03 Status: Repeated.	Finding No. FA 05-43 Status: Repeated.
Finding No. FS 05-01 Status: Repeated.	Finding No. FS 08-04 Status: Repeated.	Finding No. FA 08-01 Status: Repeated.
Finding No. FS 05-03 Status: Repeated.	Finding No. FS 08-05 Status: Repeated.	Finding No. FA 08-02 Status: Repeated.
Finding No. FS 05-19 Status: Repeated.	Finding No. FS 08-06 Status: Repeated.	
Finding No. FS 05-21 Status: Repeated.	Finding No. FS 08-07 Status: Repeated.	
Finding No. FS 05-52 Status: Repeated.	Finding No. FS 08-08 Status: Repeated.	
Finding No. FS 08-01 Status: Repeated.	Finding No. FA 03-01 Status: Repeated.	

FINANCIAL STATEMENT PREPARATION

These financial statements were prepared by Heinfeld, Meech & Co., P.C. from the original books and records of the City of Espanola, New Mexico.

**CITY OF ESPANOLA, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2009**

An exit conference was conducted on November 15, 2010, in a closed meeting, in which the contents of this report were discussed with the following.

City of Espanola

Alice Lucero, Mayor
Rosario Garcia, Councilor
James Lujan, City Manager
Ron Archuleta, Chief Financial Officer
Joyce Sandoval, Finance
George Padilla, Finance

Heinfeld, Meech & Co., P.C.

Corey Arvizu, Partner (via conference call)
Mike Hoerig, Audit Manager

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