

**CITY OF ESPANOLA, NEW MEXICO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**Harshwal & Company LLP
Certified Public Accountants
6739 Academy Road NE, Suite 130
Albuquerque, NM 87109
(505) 814-1201**

**CITY OF ESPANOLA, NEW MEXICO
TABLE OF CONTENTS**

<u>CONTENT</u>	<u>Exhibit</u>	<u>Page</u>
OFFICIAL ROSTER		5
INDEPENDENT AUDITORS' REPORT		7
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	15
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets		16
Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds	B-2	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities		18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	C-1	19
Statement of Net Assets – Proprietary Funds	D-1	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	D-2	21
Statement of Cash Flows – Proprietary Funds	D-3	22
Statement of Fiduciary Assets and Liabilities	E-1	23
Notes to Financial Statements		24
SUPPLEMENTARY INFORMATION		
Other Major Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
NMDOT Grant		48
Infrastructure Projects Fund		49
	Statement/ Schedule	
Non-Major Funds Description		50

**CITY OF ESPANOLA, NEW MEXICO
TABLE OF CONTENTS**

<u>CONTENTS (Cont'd)</u>	Page
Non-Major Special Revenue Funds:	
Combining Balance Sheet	A-1 54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	A-2 65
Schedule of Revenues, Expenditures and Changes in Fund Balance– Budget and Actual	
Recreation Fund	76
Teen Court Fund	77
Weed and Seed Grant Fund	78
Bullet Proof Vest Grant Fund	79
Operation Buckle Down Fund	80
G.R.E.A.T. Grant Fund	81
Byrne Justice Assistance Grant Fund	82
Operation DWI State Grant Fund	83
Library Grant Fund	84
Summer Lunch Program Fund	85
Click It or Ticket Fund	86
EMS Fund	87
Law Enforcement Technology Grant Fund	88
DWI Program Enforcement Fund	89
Public Safety Grant	90
E-911 Grant Fund	91
Fire Protection Fund	92
Roads and Streets Fund	93
Law Enforcement Protection Fund	94
Lodgers’ Tax Fund	95
Lodgers’ Tax Promotional Fund	96
Fiesta Council Fund	97
NMDOT Litter Control and Beautification Fund	98
Municipal Service Improvements Fund	99

**CITY OF ESPANOLA, NEW MEXICO
TABLE OF CONTENTS**

<u>CONTENTS (Cont'd)</u>	Page
Non-Major Debt Service Funds:	
Combining Balance Sheet	B-1 100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2 103
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
2002 Bond Debt Service Fund	106
RUS Loan Debt Service Fund	107
Environmental Department Loan Fund	108
NMFA Debt Service Fund	109
NMFA WWW Debt Service Fund	110
NMFA DWSRF Debt Service Fund	111
NMED CWSRF Debt Service Fund	112
Non-Major Capital Projects Funds:	
Combining Balance Sheet	C-1 113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2 117
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Plaza Development Fund	122
Capital Projects Grant Fund	123
NMLA Capital Improvements Grant Fund	124
USDA Grants Fund	125
NM SAP W/WW Project Grant Fund	126
Federal W/WW Project Grant Fund	127
NMFA Trust Board Fund	128
State Water Project Grants Fund	129
State Agency on Aging Grants Fund	130

**CITY OF ESPANOLA, NEW MEXICO
TABLE OF CONTENTS**

<u>CONTENTS (Cont'd)</u>	Page
Trust Service Fund	131
NMFA PPR Equipment Project Loan Fund	132
NM State Board of Finance Loan Fund	133
USDA Loan / Police Department Fund	134
Proprietary Funds:	
Utility Asset Management Fund	135
Solid Waste Fund	136
Water and Wastewater Fund	137
Schedule of Changes in Assets and Liabilities	138
 OTHER SUPPLEMENTAL INFORMATION	
Schedule of Pledged Collateral	I 140
Schedule of Deposit and Investment Accounts	II 141
 SINGLE AUDIT SECTION	
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	143
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	145
Schedule of Expenditures of Federal Awards	147
Notes to Schedule of Expenditures of Federal Awards	148
Schedule of Findings and Questioned Costs	149
Summary Schedule of Prior Audit Findings	171
Exit Conference	172

CITY OF ESPANOLA, NEW MEXICO
OFFICAL ROSTER
JUNE 30, 2010

City Government

Alice Lucero
Mayor

Peggy Martinez
District 2 Councilor

Dennis Tim Salazar
Mayor Pro-Tem/District 1 Councilor

Eric Radosevich
District 3 Councilor

Pedro Valdez
District 1 Councilor

Cory J. Lewis
District 4 Councilor

Elaine Herrera
District 2 Councilor

Robert J. Seeds
District 4 Councilor

Administrative Officials

Joe Duran
Interim City Manager

Joyce Sandoval
Director - Administrative Services

Tessa Jo Mascarenas
City Clerk

**CITY OF ESPANOLA, NEW MEXICO
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 and the budgetary comparisons for the general fund of the City of the City of Espanola, New Mexico (City), as of and for the year ended June 30, 2010, 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 funds, fiduciary funds, the budgetary comparison for the proprietary funds, major capital project fund, major infrastructure fund, and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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 accounting records. As explained in finding FS 05-19, the City lacks internal controls over its cash and general ledger transactions. The City did not reconcile cash accounts at year end June 30, 2010. The City could not provide the June 2010 bank statements and reconciliation for all bank accounts and all investment accounts. With regards to management overrides to cash bank accounts that are not posted in the general ledger, there are no internal controls to mitigate the risks of possible misappropriation or fraud. As explained in finding FS 08-01, the City does not have a procedure of reconciling the accounts receivable to the general ledger to ensure proper reporting of collectible balances and as explained further in finding FS 10-06, the City did not establish an allowance for doubtful accounts. As explained in finding FS 08-04, the City does not have a procedure in place to identify and record accruals at year end. Further, as explained in finding FS 10-05, the City did not record prior auditor's adjusting journal entries which resulted to accounts that have unreconciled opening balances. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives for these account balances and transaction classes. As a result, we were unable to rely on the trial balance provided by the City.

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, 2010, 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, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the proprietary funds, major capital project fund, major infrastructure fund, and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements 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 July 09, 2013, 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.

Management has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by the missing information.

We were engaged for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of 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 supporting schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of City of Espanola. Because of the significance of the matters 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, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
July 09, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2010

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 15,496,594	\$ 2,201,380	\$ 17,697,974
Accounts receivable	1,004,891	1,729,918	2,734,809
Internal balances	(1,242,683)	1,242,683	0
Total current assets	15,258,802	5,173,981	20,432,783
Noncurrent assets			
Land	3,412,879	232,040	3,644,919
Land improvements		1,611,771	1,611,771
Infrastructure		11,060,404	11,060,404
Buildings and improvements	19,400,283		19,400,283
Vehicles, furniture and equipment	6,541,506	4,518,269	11,059,775
Accumulated depreciation	(25,725,087)	(10,548,334)	(36,273,421)
Total noncurrent assets	3,629,581	6,874,150	10,503,731
Total assets	18,888,383	12,048,131	30,936,514
LIABILITIES			
Cash deficit	10,104,473		10,104,473
Account payable	1,261,965	1,068,022	2,329,987
Accrued payroll	337,922	31,040	368,962
Accrued interest payable	325,596	82,056	407,652
Deferred revenue	180,940		180,940
Deposits payable	3,309		3,309
Notes payable due in one year	1,018,563	227,230	1,245,793
Revenue bonds payable due in one year	115,000		115,000
Compensated absences payable		102,192	102,192
Total current liabilities	13,347,768	1,510,540	14,858,308
Noncurrent liabilities:			
Compensated absences payable	456,852		456,852
Notes payable	18,299,578	2,397,434	20,697,012
Revenue bonds payable	1,960,000		1,960,000
Landfill closure and postclosure costs		627,138	627,138
Total non-current liabilities	20,716,430	3,024,572	23,741,002
Total liabilities	34,064,198	4,535,112	38,599,310
NET ASSETS			
Invested in capital assets, net of related debt	(17,763,560)	4,249,486	(13,514,074)
Restricted for:			
Special Revenue Funds	934,636		934,636
Capital Project Funds	4,494,709		4,494,709
Debt Service Funds	1,957,474		1,957,474
Unrestricted	(4,799,074)	3,263,533	(1,535,541)
Total net assets	\$ (15,175,815)	\$ 7,513,019	\$ (7,662,796)

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, 2010

Exhibit A-2

Functions/Programs	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government				
Governmental Activities:				
General government	\$ 7,527,296	\$ 666,188	\$ 78,904	\$ 1,950,477
Public safety	6,458,863	46,429	968,613	
Public works	1,514,340	146,179	459,263	740,351
Culture and recreation	1,189,014	24,892	91,924	
Interest on long-term debt	<u>916,930</u>			
Total governmental activities	<u>17,606,443</u>	<u>883,688</u>	<u>1,598,704</u>	<u>2,690,828</u>
Business-type Activities:				
Water and wastewater	3,027,371	4,032,584		
Utility assets management	10,474			
Solid waste	<u>598,949</u>	<u>571,706</u>		
Total business-type activities	<u>3,636,794</u>	<u>4,604,290</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 21,243,237</u>	<u>\$ 5,487,978</u>	<u>\$ 1,598,704</u>	<u>\$ 2,690,828</u>
General Revenues:				
Taxes				
Municipal and state shared taxes				
Property taxes				
Intergovernmental				
Franchise taxes				
Investment income				
Other revenue				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, transferred to Housing Assistance (Note 13)				
Net assets beginning, restated				
Net assets, ending				

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, 2010

Exhibit A-2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (4,831,727)	\$	\$ (4,831,727)
Public safety	(5,443,821)		(5,443,821)
Public works	(168,547)		(168,547)
Culture and recreation	(1,072,198)		(1,072,198)
Interest on long-term debt	(916,930)		(916,930)
Total governmental activities	(12,433,223)	0	(12,433,223)
Business-type Activities:			
Water and wastewater		1,005,213	1,005,213
Utility assets management		(10,474)	(10,474)
Solid waste		(27,243)	(27,243)
Total business-type activities	0	967,496	967,496
Total primary government	(12,433,223)	967,496	(11,465,727)
General Revenues:			
Taxes			
Municipal and state shared taxes	9,717,965	384,105	10,102,070
Property taxes	516,291		516,291
Intergovernmental		130,648	130,648
Franchise taxes	336,469		336,469
Investment income	66,623		66,623
Other revenue	164,091	21,891	185,982
Transfers	1,439,068	(1,439,068)	0
Total general revenues and transfers	12,240,507	(902,424)	11,338,083
Change in net assets	(192,716)	65,072	(127,644)
Net assets, beginning	(14,983,099)	14,360,632	(622,467)
Net assets, transferred to Housing Assistance (Note 13)	\$ 0	\$ (6,912,685)	\$ (6,912,685)
Net assets beginning, restated	\$ (14,983,099)	\$ 7,447,947	\$ (7,535,152)
Net assets, ending	\$ (15,175,815)	\$ 7,513,019	\$ (7,662,796)

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

FUND FINANCIAL STATEMENTS

CITY OF ESPANOLA, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit B-1

	<u>General Fund</u>	<u>NM DOT Grant</u>	<u>Infrastructure Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 6,492,273	\$	\$ 3,058,229	\$ 5,946,092	\$ 15,496,594
Accounts receivable	962,566			42,325	1,004,891
Due from other funds	<u>1,318,525</u>	<u>26,452</u>		<u>570,434</u>	<u>1,915,411</u>
Total assets	<u>\$ 8,773,364</u>	<u>\$ 26,452</u>	<u>\$ 3,058,229</u>	<u>\$ 6,558,851</u>	<u>\$ 18,416,896</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash deficit	\$ 7,515,274	\$ 994,793	\$	\$ 1,594,406	\$ 10,104,473
Accounts payable	397,421	62,932		801,612	1,261,965
Accrued payroll	337,922				337,922
Due to other funds	1,537,869	26,453	376,370	1,217,402	3,158,094
Deferred revenue	180,940				180,940
Deposits payable	<u>3,309</u>				<u>3,309</u>
Total liabilities	<u>9,972,735</u>	<u>1,084,178</u>	<u>376,370</u>	<u>3,613,420</u>	<u>15,046,703</u>
Fund balance(deficits):					
Restricted for:					
Special revenue funds				934,636	934,636
Capital projects funds			2,681,859	1,812,850	4,494,709
Debt service funds				1,957,474	1,957,474
Unassigned reported in:					
General fund	(1,199,371)				(1,199,371)
Special revenue funds				(714,150)	(714,150)
Capital projects funds		(1,057,726)		(790,908)	(1,848,634)
Debt service funds				<u>(254,471)</u>	<u>(254,471)</u>
Total fund balances	<u>(1,199,371)</u>	<u>(1,057,726)</u>	<u>2,681,859</u>	<u>2,945,431</u>	<u>3,370,193</u>
Total liabilities and fund balances	<u>\$ 8,773,364</u>	<u>\$ 26,452</u>	<u>\$ 3,058,229</u>	<u>\$ 6,558,851</u>	<u>\$ 18,416,896</u>

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

CITY OF ESPANOLA, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total governmental fund balances		\$ 3,370,193
<p>Amounts reported for governmental activities 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	29,354,668	
Less: accumulated depreciation	<u>(25,725,087)</u>	3,629,581
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Accrued interest payable		(325,596)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Loans payable	(19,318,141)	
Bonds payable	(2,075,000)	
Compensated absences payable	<u>(456,852)</u>	<u>(21,849,993)</u>
Net assets of governmental activities		\$ <u>(15,175,815)</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit B-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	NM DOT Grant	Infrastructure Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 516,291	\$	\$	\$	\$ 516,291
Municipal and state shared taxes	7,518,430		1,123,627	1,340,173	9,982,230
Intergovernmental	113,904	1,500,977		2,636,270	4,251,151
Charges for services	179,440			85,789	265,229
Licenses and permits	101,029			1,708	102,737
Fines and forfeits	279,802				279,802
Franchise taxes	336,469				336,469
Contributions and donations	1,015			9,020	10,035
Investment income	60,673			5,949	66,623
Other revenues	<u>144,847</u>			<u>19,245</u>	<u>164,091</u>
Total revenues	<u>9,251,900</u>	<u>1,500,977</u>	<u>1,123,627</u>	<u>4,098,154</u>	<u>15,974,658</u>
Expenditures					
Current					
General government	3,606,563	2,310,010	306,503	1,040,279	7,263,355
Public safety	4,678,432			1,572,461	6,250,893
Public works	408,144			1,028,088	1,436,232
Culture and recreation	950,427			133,373	1,083,800
Capital outlay				231,485	231,485
Debt service					
Principal				721,879	721,879
Interest and fiscal charges				<u>591,334</u>	<u>591,334</u>
Total expenditures	<u>9,643,566</u>	<u>2,310,010</u>	<u>306,503</u>	<u>5,318,899</u>	<u>17,578,978</u>
Excess (deficiency) of revenues over expenditures	<u>(391,666)</u>	<u>(809,033)</u>	<u>817,124</u>	<u>(1,220,745)</u>	<u>(1,604,320)</u>
Other financing sources (uses)					
Transfers In	870,988			2,750,315	3,621,303
Transfers out	<u>(952,686)</u>		<u>(1,117,463)</u>	<u>(112,086)</u>	<u>(2,182,235)</u>
Total other financing sources (uses)	<u>(81,698)</u>	<u>0</u>	<u>(1,117,463)</u>	<u>2,638,229</u>	<u>1,439,068</u>
Change in fund balances	(473,364)	(809,033)	(300,339)	1,417,484	(165,252)
Fund balances (deficits), beginning of year	<u>(726,007)</u>	<u>(248,693)</u>	<u>2,982,198</u>	<u>1,527,947</u>	<u>3,535,445</u>
Fund balances (deficits), end of year	<u>\$ (1,199,371)</u>	<u>\$ 1,057,726)</u>	<u>\$ 2,681,859</u>	<u>\$ 2,945,431</u>	<u>\$ 3,370,193</u>

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

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, 2010

Net changes in fund balances - total governmental funds	\$	(165,252)
<p>Amounts reported for governmental activities 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>		
Capital expenditures recorded in capital outlay		231,485
Depreciation expense		(720,589)
Repayment of loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		721,879
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.		65,357
Increase in Accrued interest		<u>(325,596)</u>
Change in net assets in governmental activities	\$	<u><u>(192,716)</u></u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit C-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Tax	\$ 459,000	\$ 459,000	\$ 516,291	\$ 57,291
Municipal and state shared taxes	8,012,908	8,012,908	7,518,430	(494,478)
Intergovernmental	35,000	35,000	113,904	78,904
Charges for services	417,940	417,940	179,440	(238,500)
Licenses and permits	101,250	101,250	101,029	(221)
Fines and forfeits	289,600	289,600	279,802	(9,798)
Franchise fees	406,800	406,800	336,469	(70,331)
Contributions and donations	0	0	1,015	1,015
Investment income	0	0	60,673	60,673
Other revenues	<u>258,791</u>	<u>311,850</u>	<u>115,010</u>	<u>(196,840)</u>
Total revenues	<u>9,981,289</u>	<u>10,034,348</u>	<u>9,222,063</u>	<u>(812,285)</u>
Expenditures				
Current				
General government	4,732,989	4,943,275	3,606,563	1,336,712
Public safety	4,194,746	4,287,155	4,628,089	(340,934)
Public works	447,811	447,811	408,144	39,667
Culture and recreation	<u>840,359</u>	<u>840,359</u>	<u>950,427</u>	<u>(110,068)</u>
Total expenditures	<u>10,215,905</u>	<u>10,518,600</u>	<u>9,593,223</u>	<u>925,377</u>
Excess (deficiency) of revenues over expenditures	<u>(234,616)</u>	<u>(484,252)</u>	<u>(371,160)</u>	<u>113,092</u>
Other financing sources (uses)				
Transfers in	531,368	531,368	870,988	339,620
Transfers out	<u>(563,045)</u>	<u>(655,454)</u>	<u>(952,686)</u>	<u>297,232</u>
Total other financing sources (uses)	<u>(31,677)</u>	<u>(655,454)</u>	<u>(81,698)</u>	<u>636,852</u>
Change in fund balances	<u>\$ (266,293)</u>	\$(1,139,706)	<u>(452,858)</u>	<u>\$ 113,092</u>
Fund balances (deficits), June 30, 2009			<u>(726,007)</u>	
Fund balances (deficits), June 30, 2010			<u>(1,178,865)</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			(452,858)	
Revenue accruals			29,837	
Expenditure accruals			<u>(50,343)</u>	
Net change in fund balances GAAP basis			<u>\$ (473,364)</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
YEAR ENDED JUNE 30, 2010

Exhibit D-1

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
ASSETS				
Current assets:				
Cash and investments	\$ 910,130	\$	\$ 1,291,250	\$ 2,201,380
Accounts receivable	1,487,084		242,834	1,729,918
Due from other funds	811,008		442,149	1,253,157
Total current assets	3,208,222	0	1,976,233	5,184,455
Noncurrent assets				
Land	232,040			232,040
Land improvements	1,611,771			1,611,771
Infrastructure	11,060,404			11,060,404
Vehicles, furniture and equipment	4,159,172		359,097	4,518,269
Accumulated depreciation	(10,283,905)		(264,429)	(10,548,334)
Total noncurrent assets	6,779,482	0	94,668	6,874,150
Total assets	9,987,704	0	2,070,901	12,058,605
LIABILITIES				
Current liabilities:				
Accounts payable			1,068,022	1,068,022
Accrued payroll	31,040			31,040
Compensated absences payable	102,192			102,192
Accrued interest payable	82,056			82,056
Due to other funds		10,474		10,474
Loan payable	227,230			227,230
Total current liabilities	442,518	10,474	1,068,022	1,521,014
Noncurrent liabilities				
Loans payable	2,397,434			2,397,434
Landfill closure and postclosure costs			627,138	627,138
Total non-current liabilities	2,397,434	0	627,138	3,024,572
Total liabilities	2,839,952	10,474	1,695,160	4,545,586
Net Assets				
Invested in capital assets, net of related debt	4,154,818		94,668	4,249,487
Unrestricted	2,992,934	(10,474)	281,073	3,263,533
Total net assets	\$ 7,147,752	\$ (10,474)	\$ 375,741	\$ 7,513,019

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

CITY OF ESPANOLA, NEW MEXICO Exhibit D-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Enterprise Funds				Total
	Water and Wastewater	Utility Asset Management	Solid Waste	Housing Assistance	
Operating revenues:					
Charges for services	\$ 4,032,584	\$	\$ 571,706	\$	\$ 4,604,290
Other revenue	21,891				21,891
Total operating revenues	<u>4,054,475</u>	<u>0</u>	<u>571,706</u>	<u>0</u>	<u>4,626,181</u>
Operating expenses:					
Payroll and benefits	1,408,162				1,408,162
Supplies and services	1,104,398	10,474	586,905		1,701,777
Depreciation	432,755		12,044		444,799
Total operating expenses	<u>2,945,315</u>	<u>10,474</u>	<u>598,949</u>	<u>0</u>	<u>3,554,738</u>
Operating income (loss)	<u>1,109,160</u>	<u>(10,474)</u>	<u>(27,243)</u>	<u>0</u>	<u>1,071,443</u>
Non-Operating revenues (expenses):					
Municipal and state shared taxes	183,564		200,541		384,105
Intergovernmental	112,065		18,583		130,648
Interest expenses	(82,056)				(82,056)
Total non-operating revenues (expenses)	<u>213,573</u>	<u>0</u>	<u>219,124</u>	<u>0</u>	<u>432,697</u>
Income (loss) before capital contributions and transfers	<u>1,322,733</u>	<u>(10,474)</u>	<u>191,881</u>	<u>0</u>	<u>1,504,140</u>
Transfers in	450,317				450,317
Transfers out	(1,886,746)		(2,639)		(1,889,385)
Total Transfers in (out)	<u>(1,436,429)</u>	<u>0</u>	<u>(2,639)</u>	<u>0</u>	<u>(1,439,068)</u>
Change in net assets	<u>(113,696)</u>	<u>(10,474)</u>	<u>189,242</u>	<u>0</u>	<u>65,072</u>
Net assets, beginning of year	<u>7,261,448</u>		<u>186,499</u>	<u>6,912,685</u>	<u>14,360,632</u>
Net assets, transferred (Note 13)				<u>(6,912,685)</u>	<u>(6,912,685)</u>
Net assets beginning of year, restated	<u>7,261,448</u>		<u>186,499</u>		<u>7,447,947</u>
Net assets, end of year	<u>\$ 7,147,752</u>	<u>\$ (10,474)</u>	<u>\$ 375,741</u>	<u>\$ 0</u>	<u>\$ 7,513,019</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, 2010

Exhibit D-3

	Enterprise Funds			Total
	Water and Waste water	Utility Asset Management	Solid Waste	
Increase (Decrease) In Cash and Cash Equivalents				
Cash flows from operating activities:				
Cash received from customers	\$ 3,186,838	\$	\$ 124,169	\$ 3,311,007
Cash payments to suppliers for goods and services	(1,691,097)		1,028,888	(662,209)
Cash payments to employees for services	<u>(1,433,206)</u>	<u> </u>	<u>(586,905)</u>	<u>(2,020,111)</u>
Net cash provided by (used) operating activities	<u>62,535</u>	<u>0</u>	<u>566,152</u>	<u>628,687</u>
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	295,629		219,124	514,753
Net operating transfers	<u>(1,436,429)</u>	<u> </u>	<u>(2,639)</u>	<u>(1,439,068)</u>
Net cash provided by (used for) noncapital financing activities	<u>(1,140,800)</u>	<u> </u>	<u>216,485</u>	<u>(924,315)</u>
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(222,360)			(222,360)
Interest paid on long-term debt	(82,056)			(82,056)
Purchase of capital assets	<u>(16,852)</u>	<u> </u>	<u> </u>	<u>(16,852)</u>
Net cash used for capital and related financing activities	<u>(321,268)</u>	<u>0</u>	<u>0</u>	<u>(321,268)</u>
Net increase in cash and cash equivalents	<u>(1,399,533)</u>	<u> </u>	<u>782,637</u>	<u>(616,896)</u>
Cash and cash equivalents, June 30, 2009	<u>2,309,663</u>	<u> </u>	<u>508,613</u>	<u>2,818,276</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 910,130</u>	<u>\$ 0</u>	<u>\$ 1,291,250</u>	<u>\$ 2,201,380</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 1,109,160	\$ (10,474)	\$ (27,243)	\$ 1,071,443
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	432,755		12,044	444,799
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(56,629)		(5,388)	(62,017)
(Increase) decrease in accounts payable	(625,797)		1,028,888	403,091
Increase (decrease) in accrued interest	82,056			82,056
Increase (decrease) in compensated absences payable	(25,044)			(25,044)
Increase (decrease) in deposits held for others	(42,959)		(442,149)	(485,108)
Increase (decrease) in internal receivable and payable	<u>(811,007)</u>	<u>10,474</u>	<u> </u>	<u>(800,533)</u>
Total adjustments	<u>(1,046,625)</u>	<u>10,474</u>	<u>593,395</u>	<u>(442,756)</u>
Net cash provided by (used for) operating activities	<u>\$ 62,535</u>	<u>\$ 0</u>	<u>\$ 566,152</u>	<u>\$ 628,687</u>

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

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2010

Exhibit E-1

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ <u>362,916</u>
Total assets	\$ <u><u>362,916</u></u>
LIABILITIES	
Deposits held for others	\$ <u>362,916</u>
Total liabilities	\$ <u><u>362,916</u></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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Espanola (City) was incorporated under the provisions of Chapter 3, Article 2 NMS 78. 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 three enterprise funds, which include a Water and Wastewater Fund, Solid Waste Fund and Utility assets management fund.

The financial reporting entity consists of a primary government. 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 activity, 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 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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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.

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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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.

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

Utility Asset Management – This enterprise fund is used to account for the better management of all the utility assets of the City.

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

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.

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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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 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 01, 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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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.

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. Fund Balances and Net Assets

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City or a management official delegated that authority by the formal City action.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt” are included in unrestricted net assets.

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Governmental Funds:			
Bullet Proof Vest Grant	\$ 1,000	\$ 1,680	\$ (680)
Summer Lunch Program	0	15,625	(15,625)
Fiesta Council	55,000	67,473	(12,473)
Weed and Seed Grant	112,500	154,881	(42,381)
Capital Project Grant	38,634	68,083	(29,449)
NMFA DWSRF Debt Service	91,159	91,594	(435)
Proprietary Fund:			
Water and wastewater	1,437,029	2,554,456	(1,117,427)

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

Major Funds:	
General Fund	\$ 1,199,371
NMDOT Grant	1,057,726
Non-Major Funds:	
Bullet Proof Vest Grant	16,206
Operation Buckle Down	8,620
G.R.E.A.T. Grant	11,691
COPS in Schools Grant	195,822
Operation DWI State Grant	1,018
Transit System Grant	142,755
Summer Lunch Program	45,610
Click It or Ticket	1,018
Wildland Grant	6,622
Law Enforcement Technology Grant	3,433
Roads and Streets	41,645
Firefighters	74,668
Public Safety Grants	113,705
Lodgers' Tax	10,998
U.S. Bureau of Reclamation	38,003
NMDOT Litter Control and Beautification	2,336
2002 Bond Debt Service	101,492
NMFA DWSRF Debt Service	152,979
Plaza Development	10,002
NMLA Capital Improvements Grant	164,308
USDA Grants	22,428
Federal W/WW Project Grant	446,763
NMFA Trust Board	993
State Water Project Grants	3,260
State Agency on Aging Grants	18,162
USDA Loan / Police Department	124,992

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

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the City’s deposits was \$7,956,417 and the bank balance was \$5,369,171. 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, \$5,116,843 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.

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

Bank Accounts:	Valley National Bank	Community Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Deposits in the bank	\$ 5,366,843	\$ 2,328	\$ 5,369,171
Less: FDIC coverage	<u>250,000</u>	<u>2,328</u>	<u>252,328</u>
Total uninsured public funds	<u>5,116,843</u>	<u>0</u>	<u>5,116,843</u>
Pledged collateral requirements- 50% of uninsured time and demand accounts	2,558,422		2,558,422
Less: Pledged collateral	<u>5,482,844</u>	<u> </u>	<u>0</u>
Over / (under) secured	<u>\$ 2,924,422</u>	<u>\$ 0</u>	<u>\$ 2,924,422</u>

Reconciliation of Cash and Investments:

Carrying amounts by fund per financial statement at June 30, 2010 is:

Cash and Investments per Exhibit A-1	\$ 7,593,501
Cash and Investments per Exhibit E-1	362,916
Less: outstanding checks, Deposits in transit and other reconciling items	<u>1,912,120</u>
	<u>\$ 5,369,171</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Cont'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 Mexico 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>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>0</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>231,485</u>	<u>6,541,506</u>
Total capital assets being depreciated	<u>25,710,304</u>	<u>231,485</u>	<u>25,941,789</u>
Less accumulated depreciation for:			
Buildings and improvements	(19,400,283)		(19,400,283)
Vehicles, furniture and equipment	<u>(5,604,215)</u>	<u>(720,589)</u>	<u>(6,324,804)</u>
Total accumulated depreciation	<u>(25,004,498)</u>	<u>(720,589)</u>	<u>(25,725,087)</u>
Total capital assets, being depreciated, net	<u>705,806</u>	<u>(489,104)</u>	<u>216,702</u>
Governmental activities capital assets, net	<u>\$ 4,118,685</u>	<u>\$ (489,104)</u>	<u>\$ 3,629,581</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE-4 - CAPITAL ASSETS (Cont'd)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:			
Land	\$ <u>232,040</u>	\$ _____	\$ <u>232,040</u>
Total capital assets, not being depreciated	<u>232,040</u>	<u>0</u>	<u>232,040</u>
Capital assets, being depreciated:			
Land improvements	1,611,771		1,611,771
Infrastructure	11,060,404		11,060,404
Vehicles, furniture and equipment	<u>4,501,417</u>	<u>16,852</u>	<u>4,518,269</u>
Total capital assets being depreciated	<u>17,173,592</u>	<u>16,852</u>	<u>17,190,444</u>
Less accumulated depreciation for:			
Land improvements	(920,360)	(55,295)	(975,655)
Infrastructure	(5,697,446)	(112,037)	(5,809,483)
Vehicles, furniture and equipment	<u>(3,485,729)</u>	<u>(277,467)</u>	<u>(3,763,196)</u>
Total accumulated depreciation	<u>(10,103,535)</u>	<u>(444,799)</u>	<u>(10,548,334)</u>
Total capital assets, being depreciated, net	<u>7,070,057</u>	<u>(427,947)</u>	<u>6,642,110</u>
Business activities capital assets, net	<u>\$ 7,302,097</u>	<u>\$ (427,947)</u>	<u>\$ 6,874,150</u>

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 329,297
Public safety	207,970
Public works	78,108
Culture and recreation	<u>105,214</u>
Total depreciation expense – governmental activities	<u>\$ 720,589</u>
Business-Type Activities:	
Water and wastewater	\$ 432,755
Solid waste	<u>12,044</u>
Total depreciation expense – business-type activities	<u>\$ 444,799</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – LONG TERM DEBT

During the year ended June 30, 2010, the following changes occurred in the long term liabilities reported in the government-wide statement of net assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Loans payable	\$19,640,020	\$	\$ 321,879	\$19,318,141	\$ 1,018,563
Bonds payable	2,475,000		400,000	2,075,000	115,000
Compensated absences	<u>522,209</u>	<u>15,631</u>	<u>80,988</u>	<u>456,852</u>	<u></u>
Total	<u>\$22,637,229</u>	<u>\$ 15,631</u>	<u>\$ 802,867</u>	<u>\$21,849,993</u>	<u>\$ 1,133,563</u>
Business-type Activities:					
Loans payable	\$ 2,847,024	\$	\$ 222,360	\$ 2,624,664	\$ 227,230
Compensated absences	<u>127,236</u>	<u>2,686</u>	<u>27,730</u>	<u>102,192</u>	<u>102,192</u>
Total	<u>\$ 2,974,260</u>	<u>\$ 2,686</u>	<u>\$ 250,090</u>	<u>\$ 2,726,856</u>	<u>\$ 329,422</u>

Note payable outstanding at June 30, 2010 the following:

<u>Purpose</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:			
1997 NMFA Sewer/Water	5/2017	\$ 560,724	\$ 68,623
2002 NMFA Well #9	5/2027	1,037,202	41,161
1998 NMFA Well #8	5/2018	244,167	24,427
2006 NMFA	5/2017	606,724	84,868
2007 NMFA Loan	3/2025	7,700,000	350,000
2007 NMED	6/2025	<u>9,169,324</u>	<u>449,484</u>
Total		<u>\$ 19,318,141</u>	<u>\$ 1,018,563</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – LOANS PAYABLE (Cont'd)

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

The City obtained 1997 NMFA Sewer/Water loan amount of \$1,216,891 with an interest rate of 4.05-5.5% and loan maturity date is May 01, 2017. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 68,623	\$ 28,537	\$ 97,160
2012	72,075	24,821	96,896
2013	75,738	20,879	96,617
2014	79,624	16,697	96,321
2015	83,749	12,258	96,007
2016-2017	<u>180,915</u>	<u>10,103</u>	<u>191,018</u>
Total	<u>\$ 560,724</u>	<u>\$ 113,295</u>	<u>\$ 674,019</u>

The City obtained a 2002 NMFA Well #9 loan amount of \$1,305,915 with an interest rate of 1.97-5.17% and loan maturity date is May 01, 2027. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 41,161	\$ 49,736	\$ 90,897
2012	42,942	47,903	90,845
2013	44,834	45,955	90,789
2014	46,846	43,882	90,728
2015	48,989	41,674	90,663
2016-2020	282,282	169,946	452,228
2021-2025	359,540	90,679	450,219
2026-2027	<u>170,608</u>	<u>8,814</u>	<u>179,422</u>
Total	<u>\$ 1,037,202</u>	<u>\$ 498,589</u>	<u>\$ 1,535,791</u>

The City obtained a 1998 NMFA Well # 8 loan amount of \$450,705 with an interest rate of 5.63-6.88% and loan maturity date is May 01, 2018. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 24,427	\$ 15,362	\$ 39,789
2012	25,931	13,747	39,678
2013	27,542	12,019	39,561
2014	29,265	10,170	39,435
2015	31,111	8,182	39,293
2016-2018	<u>105,891</u>	<u>13,623</u>	<u>119,514</u>
Total	<u>\$ 244,167</u>	<u>\$ 73,103</u>	<u>\$ 317,270</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – LOANS PAYABLE (Cont'd)

The City obtained a 2006 NMFA loan amount of \$808,000 with an interest rate of 1.75% and loan maturity date is May 01, 2017. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 84,868	\$ 3,999	\$ 88,867
2012	85,456	3,409	88,865
2013	86,051	2,810	88,861
2014	86,656	2,202	88,858
2015	87,271	1,585	88,856
2016-2017	<u>176,422</u>	<u>1,279</u>	<u>177,701</u>
Total	<u>\$ 606,724</u>	<u>\$ 15,284</u>	<u>\$ 622,008</u>

The City obtained a 2007 NMFA Loan amount of \$7,700,000 with maturity date on March 01, 2025. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 350,000	\$ 299,309	\$ 649,309
2012	365,000	286,277	651,277
2013	380,000	272,530	652,530
2014	395,000	258,016	653,016
2015	410,000	242,739	652,739
2016-2020	2,335,000	952,345	3,287,345
2021-2025	<u>3,465,000</u>	<u>413,699</u>	<u>3,878,699</u>
Total	<u>\$ 7,700,000</u>	<u>\$ 2,724,915</u>	<u>\$ 10,424,915</u>

The City obtained a 2007 NMED loan, with maturity date in 2028. The future requirements for the loan are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 449,484	\$ 343,226	\$ 792,710
2012	468,587	326,400	794,987
2013	488,502	308,861	797,363
2014	509,264	290,574	799,838
2015-2019	2,889,967	1,147,735	4,037,702
2020-2024	3,558,551	561,351	4,119,902
2025-2028	<u>804,969</u>	<u>30,132</u>	<u>835,101</u>
Total	<u>\$ 9,169,324</u>	<u>\$ 3,008,279</u>	<u>\$ 12,177,603</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 and business type activity at June 30, 2010 were as follows:

<u>Purpose</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:			
1999 Bonds	3/2023	\$ <u>2,075,000</u>	\$ <u>115,000</u>
Total		\$ <u><u>2,075,000</u></u>	\$ <u><u>115,000</u></u>
Business-type activities:			
1991 NMED Wastewater	2/2018	\$ 1,826,835	\$ 212,844
1996 RUS	12/2036	605,820	10,874
1997 RUS	3/2037	<u>192,009</u>	<u>3,512</u>
Total		\$ <u><u>2,624,664</u></u>	\$ <u><u>227,230</u></u>

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

The City obtained a bond loan amount of \$2,475,000 with an interest rate of 5.1-5.8% and loan maturity date is March 01, 2023. The future requirements for the loan are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 115,000	\$ 114,062	\$ 229,062
2012	120,000	107,892	227,892
2013	125,000	101,369	226,369
2014	130,000	94,515	224,515
2015	140,000	87,190	227,190
2016-2020	825,000	305,008	1,130,008
2021-2023	<u>620,000</u>	<u>55,390</u>	<u>675,390</u>
Total	\$ <u><u>2,075,000</u></u>	\$ <u><u>865,426</u></u>	\$ <u><u>2,940,426</u></u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – BONDS PAYABLE (Cont'd)

Business-type activities:

The City obtained a 1991 NMED Wastewater loan amount of \$3,669,670 with an interest rate of 2% and loan maturity date is February 06, 2018. The future requirements for the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 212,844	\$ 36,537	\$ 249,381
2012	217,101	32,280	249,381
2013	221,443	27,938	249,381
2014	225,872	23,509	249,381
2015	230,389	18,991	249,380
2016-2018	<u>719,186</u>	<u>28,957</u>	<u>748,143</u>
Totals	<u>\$ 1,826,835</u>	<u>\$ 168,212</u>	<u>\$ 1,995,047</u>

The City obtained a 1996 RUS loan amount of \$707,200 with an interest rate of 5.125% and loan maturity date is December 18, 2036. The future requirements for the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 10,874	\$ 31,048	\$ 41,922
2012	11,431	30,491	41,922
2013	12,017	29,905	41,922
2014	12,633	29,289	41,922
2015	13,280	28,642	41,922
2016-2020	77,335	132,275	209,610
2021-2025	99,290	110,320	209,610
2026-2030	127,478	82,132	209,610
2031-2035	163,669	45,942	209,611
2036	<u>77,813</u>	<u>6,032</u>	<u>83,845</u>
Totals	<u>\$ 605,820</u>	<u>\$ 526,076</u>	<u>\$ 1,131,896</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – BONDS PAYABLE (Cont'd)

The City obtained a 1997 RUS loan amount of \$225,000 with an interest rate of 5% and loan maturity date is March 31, 2037. The future requirements for the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 3,512	\$ 9,600	\$ 13,112
2012	3,688	9,425	13,113
2013	3,872	9,240	13,112
2014	4,066	9,047	13,113
2015	4,269	8,843	13,112
2016-2020	24,769	40,794	65,563
2021-2025	31,612	33,951	65,563
2026-2030	40,346	25,217	65,563
2031-2035	51,493	14,070	65,563
2036-2037	24,382	1,843	26,225
Totals	\$ 192,009	\$ 162,030	\$ 354,039

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

At year end, interfund balances were as follows:

<u>Interfund receivable</u>	<u>Amount</u>	<u>Interfund payable</u>	<u>Amount</u>
General Fund	\$ 1,318,525	General Fund	\$ 1,537,869
NM DOT Grant	26,452	NM DOT Grant	26,453
Nonmajor Governmental Funds	570,434	Infrastructure Projects	376,370
Water and Wastewater	811,008	Nonmajor Governmental Funds	1,217,402
Solid Waste	442,149	Utility Asset Management Fund	10,474
Total	\$ 3,168,568	Total	\$ 3,168,568

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.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont'd)

Interfund transfers:

Interfund transfers at June 30, 2010 consisted of the following:

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	\$ 870,988	General Fund	\$ 952,686
Non-Major Governmental Funds	2,750,315	Infrastructure Projects	1,117,463
Water and Wastewater	450,317	Non-Major Governmental Funds	112,086
		Water and Wastewater	1,886,746
		Solid Waste	<u>2,639</u>
Total	<u>\$ 4,071,620</u>	Total	<u>\$ 4,071,620</u>

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.

NOTE 8 – 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 government. 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, 2010. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2010, would not be material to the financial position of the City.

NOTE 9 – 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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – 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 1,978). 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.

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 2010, 2009, and 2008 were \$1.4 million, \$1.1 million, and \$1.4 million, respectively.

NOTE 11 – POST EMPLOYMENT 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 Jul 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, 2010**

**NOTE 11 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN
(Cont’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, 2010, 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, 2011 through June 30, 2013 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>
2011	1.666%	0.833%
2012	1.834	0.917
2013	2.000	1.000

Also, employers joining the program after January 01, 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, 2010, 2009 and 2008 were \$100,261, \$132,359 and \$136,347, respectively.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – SUBSEQUENT EVENT

On June 16, 2011, a former police officer of the Police Department filed a claim against the City of Espanola for improper denial of family and medical leave (FMLA) and wrongful termination. A settlement was reached at the end of September 2012 and an order of dismissal of the case with prejudice was received by the City's attorney on October 31, 2012. The total cost of the settlement was \$48,963 but because the amount is less than the City's deductible of \$100,000, the settlement amount will be paid by the City along with defense fees and costs of approximately \$17,000.

On September 26, 2011, three separate claims were filed against the City by three former police officers. One lawsuit was dismissed on February 29, 2012 but the claimant's counsel filed a motion to set aside the dismissal on August 27, 2012; the motion was opposed and is pending in federal court. The other two claims are pending in state district court in Santa Fe.

NOTE 13 – HOUSING AUTHORITY FINANCIAL DATA

As of July 01, 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 accompanying City's financial statements do not include housing assistance financial data. The status of all prior year audit findings related to housing assistance fund were taken as removed in the accompanying Schedule of Prior Year Audit Findings for the year ended June 30, 2010.

SUPPLEMENTARY INFORMATION

**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 - NMDOT GRANT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ <u>3,376,576</u>	\$ <u>4,626,576</u>	\$ <u>1,500,977</u>	\$ <u>(3,125,599)</u>
Total revenues	<u>3,376,576</u>	<u>4,626,576</u>	<u>1,500,977</u>	<u>(3,125,599)</u>
Expenditures				
General government	<u>3,376,594</u>	<u>4,626,594</u>	<u>2,310,010</u>	<u>2,316,584</u>
Total expenditures	<u>3,376,594</u>	<u>4,626,594</u>	<u>2,310,010</u>	<u>2,316,584</u>
Change in fund balances	\$ <u>(18)</u>	\$ <u>(18)</u>	<u>(809,033)</u>	\$ <u>(809,015)</u>
Fund balances (deficits), July 1, 2009			<u>(248,693)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (1,057,726)</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - INFRASTRUCTURE PROJECTS
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues				
Municipal and state shared taxes	\$ <u>1,026,500</u>	\$ <u>1,201,500</u>	\$ <u>1,155,048</u>	\$ <u>(46,452)</u>
Total revenues	<u>1,026,500</u>	<u>1,201,500</u>	<u>1,155,048</u>	<u>(46,452)</u>
Expenditures				
General government	0	0	306,503	(306,503)
Capital outlay	<u>708,384</u>	<u>955,384</u>	<u>0</u>	<u>955,384</u>
Total expenditures	<u>708,384</u>	<u>955,384</u>	<u>306,503</u>	<u>648,881</u>
Excess (deficiency) of revenues over expenditures	<u>318,116</u>	<u>246,116</u>	<u>848,545</u>	<u>602,429</u>
Other financing sources (uses)				
Transfers out	<u>(1,126,131)</u>	<u>(1,126,131)</u>	<u>(1,117,463)</u>	<u>(8,668)</u>
Total other financing sources (uses)	<u>(1,126,131)</u>	<u>(1,126,131)</u>	<u>(1,117,463)</u>	<u>(8,668)</u>
Change in fund balances	<u>\$ (808,015)</u>	<u>\$ (880,015)</u>	<u>(268,918)</u>	<u>\$ 602,429</u>
Fund balances (deficits), June 30, 2009			<u>2,982,198</u>	
Fund balances (deficits), June 30, 2010			<u>2,713,280</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			(268,918)	
Revenue accruals			(31,421)	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ (300,339)</u>	

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2010**

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2010**

Special Revenue Funds (Cont'd)

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.

Public Safety Grant – To account for grant funds to be used for public safety.

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.

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2010**

Debt Service Funds (Cont'd)

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 Debt Services – To account for the activities related to the debt intercept payments to the State of New Mexico.

NMFA WWW Debt Service – 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.

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

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

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.

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

Trust Service Fund – To purchase vehicles and equipment for the City.

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

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2010**

Capital Projects Funds (Cont'd)

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.

Utility Asset Management – This enterprise fund is used to account for the better management of all the Utility Assets of the City.

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

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Recreation</u>	<u>Teen Court</u>	<u>Weed and Seed Grant</u>
ASSETS			
Cash and investments	\$ 4,058	\$ 26,789	\$ 26,348
Accounts receivable	26		
Due from other funds			
	<u>4,084</u>	<u>26,789</u>	<u>26,348</u>
Total assets	\$ 4,084	\$ 26,789	\$ 26,348
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$
Accounts payable	513	340	5,633
Due to other funds			
	<u>513</u>	<u>340</u>	<u>5,633</u>
Total liabilities	513	340	5,633
Fund balances (deficits):			
Restricted	3,571	26,449	20,715
Unassigned			
	<u>3,571</u>	<u>26,449</u>	<u>20,715</u>
Total fund balances	3,571	26,449	20,715
Total liabilities and fund balances	\$ 4,084	\$ 26,789	\$ 26,348

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Bullet Proof Vest Grant	Operation Buckle Down	G.R.E.A.T. Grant
ASSETS			
Cash and investments	\$	\$	\$
Accounts receivable			
Due from other funds			
	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$ 4,721	\$
Accounts payable			
Due to other funds	<u>16,206</u>	<u>3,899</u>	<u>11,691</u>
Total liabilities	<u>16,206</u>	<u>8,620</u>	<u>11,691</u>
Fund balances (deficits):			
Restricted			
Unassigned	<u>(16,206)</u>	<u>(8,620)</u>	<u>(11,691)</u>
Total fund balances	<u>(16,206)</u>	<u>(8,620)</u>	<u>(11,691)</u>
Total liabilities and fund balances	<u>0</u>	<u>0</u>	<u>0</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	COPS in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant
ASSETS			
Cash and investments	\$ 356	\$ 3,315	\$ 47
Accounts receivable			
Due from other funds			
Total assets	\$ 356	\$ 3,315	\$ 47
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$
Accounts payable			
Due to other funds	196,178		1,065
Total liabilities	196,178	0	1,065
Fund balances (deficits):			
Restricted		3,315	
Unassigned	(195,822)		(1,018)
Total fund balances	(195,822)	3,315	(1,018)
Total liabilities and fund balances	\$ 356	\$ 3,315	\$ 47

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Library Grant</u>	<u>Transit System Grant</u>	<u>Summer Lunch Program Grant</u>
ASSETS			
Cash and investments	\$ 35,046	\$	\$
Accounts receivable			
Due from other funds			<u>376,370</u>
Total assets	<u>\$ 35,046</u>	<u>\$ 0</u>	<u>\$ 376,370</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$ 30,342
Accounts payable	5,309	4,664	391,638
Due to other funds		<u>138,091</u>	
Total liabilities	<u>5,309</u>	<u>142,755</u>	<u>421,980</u>
Fund balances (deficits):			
Restricted	29,737		
Unassigned		<u>(142,755)</u>	<u>(45,610)</u>
Total fund balances	<u>29,737</u>	<u>(142,755)</u>	<u>(45,610)</u>
Total liabilities and fund balances	<u>\$ 35,046</u>	<u>\$ 0</u>	<u>\$ 376,370</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Click It or Ticket	EMS	Wildland Grant
ASSETS			
Cash and investments	\$ 291	\$ 7,360	\$
Accounts receivable			
Due from other funds			
	<u>291</u>	<u>7,360</u>	<u>0</u>
Total assets	\$ <u>291</u>	\$ <u>7,360</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$ 6,622
Accounts payable			
Due to other funds	<u>1,309</u>		
Total liabilities	<u>1,309</u>	<u>0</u>	<u>6,622</u>
Fund balances (deficits):			
Restricted		7,360	
Unassigned	<u>(1,018)</u>		<u>(6,622)</u>
Total fund balances	<u>(1,018)</u>	<u>7,360</u>	<u>(6,622)</u>
Total liabilities and fund balances	\$ <u>291</u>	\$ <u>7,360</u>	\$ <u>0</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>Days and Nights of Summer</u>
ASSETS			
Cash and investments	\$ 6,425	\$	\$
Accounts receivable			
Due from other funds			<u>1,775</u>
Total assets	<u>\$ 6,425</u>	<u>\$ 0</u>	<u>\$ 1,775</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$
Accounts payable			
Due to other funds	<u>9,858</u>	<u>74,668</u>	<u>1,775</u>
Total liabilities	<u>9,858</u>	<u>74,668</u>	<u>1,775</u>
Fund balances (deficits):			
Restricted			
Unassigned	<u>(3,433)</u>	<u>(74,668)</u>	<u>0</u>
Total fund balances	<u>(3,433)</u>	<u>(74,668)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 6,425</u>	<u>\$ 0</u>	<u>\$ 1,775</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	DWI Program <u>Enforcement</u>	Public Safety Grants	<u>E-911 Grant</u>
ASSETS			
Cash and investments	\$ 8,400	\$	\$ 68,763
Accounts receivable			
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,400</u>	<u>\$ 0</u>	<u>\$ 68,763</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$ 111,349	\$
Accounts payable			
Due to other funds		<u>2,356</u>	<u>2,879</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>0</u>	<u>113,705</u>	<u>2,879</u>
Fund balances (deficits):			
Restricted	8,400		65,884
Unassigned		<u>(113,705)</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>8,400</u>	<u>(113,705)</u>	<u>65,884</u>
Total liabilities and fund balances	<u>\$ 8,400</u>	<u>\$ 0</u>	<u>\$ 68,763</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fire Protection</u>	<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>
ASSETS			
Cash and investments	\$ 162,593	\$ 1,168	\$ 1,467
Accounts receivable			37,400
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 162,593</u>	<u>\$ 1,168</u>	<u>\$ 38,867</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$
Accounts payable	27,295	42,813	
Due to other funds			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>27,295</u>	<u>42,813</u>	<u>0</u>
Fund balances (deficits):			
Restricted	135,298		38,867
Unassigned		(41,645)	
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>135,298</u>	<u>(41,645)</u>	<u>38,867</u>
Total liabilities and fund balances	<u>\$ 162,593</u>	<u>\$ 1,168</u>	<u>\$ 38,867</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
ASSETS			
Cash and investments	\$ 18,432	\$	\$ 84,699
Accounts receivable			4,899
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 18,432</u>	<u>\$ 0</u>	<u>\$ 89,598</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$ 10,998	\$
Accounts payable			
Due to other funds			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>0</u>	<u>10,998</u>	<u>0</u>
Fund balances (deficits):			
Restricted	18,432		89,598
Unassigned		(10,998)	
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>18,432</u>	<u>(10,998)</u>	<u>89,598</u>
Total liabilities and fund balances	<u>\$ 18,432</u>	<u>\$ 0</u>	<u>\$ 89,598</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>
ASSETS			
Cash and investments	\$ 10,125	\$ 53,219	\$
Accounts receivable			
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,125</u>	<u>\$ 53,219</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$	\$ 409
Accounts payable		91,222	
Due to other funds			1,927
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>0</u>	<u>91,222</u>	<u>2,336</u>
Fund balances (deficits):			
Restricted	10,125		
Unassigned		(38,003)	(2,336)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>10,125</u>	<u>(38,003)</u>	<u>(2,336)</u>
Total liabilities and fund balances	<u>\$ 10,125</u>	<u>\$ 53,219</u>	<u>\$ 0</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Municipal Service Improvements</u>	<u>Total</u>	
ASSETS			
Cash and investments	\$ 476,885	\$ 995,786	
Accounts receivable		42,325	
Due from other funds		<u>378,145</u>	
Total assets	<u>\$ 476,885</u>	<u>\$ 1,416,256</u>	
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$	\$ 164,441	
Accounts payable		569,427	
Due to other funds		<u>461,902</u>	
Total liabilities	<u>0</u>	<u>1,195,770</u>	
Fund balances (deficits):			
Restricted	476,885	934,636	
Unassigned		<u>(714,150)</u>	
Total fund balances	<u>476,885</u>	<u>220,486</u>	
Total liabilities and fund balances	<u>\$ 476,885</u>	<u>\$ 1,416,256</u>	

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Recreation</u>	<u>Teen Court</u>	<u>Weed and Seed Grant</u>
Revenues:			
Municipal and state shared taxes	\$ 2,961	\$	\$
Intergovernmental	1,315	10,000	210,089
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>4,276</u>	<u>10,000</u>	<u>210,089</u>
Expenditures:			
Current			
General governmental			33,621
Public safety		6,574	121,260
Public works			
Culture and recreation	3,361		
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>3,361</u>	<u>6,574</u>	<u>154,881</u>
Excess (deficiency) of revenues over expenditures	<u>915</u>	<u>3,426</u>	<u>55,208</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>915</u>	<u>3,426</u>	<u>55,208</u>
Fund balances (deficits), beginning of year	<u>2,656</u>	<u>23,023</u>	<u>(34,493)</u>
Fund balances (deficits), end of year	<u>\$ 3,571</u>	<u>\$ 26,449</u>	<u>\$ 20,715</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Bullet Proof Vest Grant</u>	<u>Operation Buckle Down</u>	<u>G.R.E.A.T. Grant</u>
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental		1,224	1,117
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>0</u>	<u>1,224</u>	<u>1,117</u>
Expenditures:			
Current			
General governmental			
Public safety	1,680	3,873	1,144
Public works			
Culture and recreation			
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>1,680</u>	<u>3,873</u>	<u>1,144</u>
Excess (deficiency) of revenues over expenditures	<u>(1,680)</u>	<u>(2,649)</u>	<u>(27)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(1,680)</u>	<u>(2,649)</u>	<u>(27)</u>
Fund balances (deficits), beginning of year	<u>(14,526)</u>	<u>(5,971)</u>	<u>(11,664)</u>
Fund balances (deficits), end of year	<u>\$ (16,206)</u>	<u>\$ (8,620)</u>	<u>\$ (11,691)</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>COPS in Schools Grant</u>	<u>Byrne Justice Assistance Grant</u>	<u>Operation DWI State Grant</u>
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental			8,947
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>0</u>	<u>0</u>	<u>8,947</u>
Expenditures:			
Current			
General governmental			
Public safety			4,745
Public works			
Culture and recreation			
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>0</u>	<u>0</u>	<u>4,745</u>
Excess (deficiency) of revenues over expenditures			<u>4,202</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances			<u>4,202</u>
Fund balances (deficits), beginning of year	<u>(195,822)</u>	<u>3,315</u>	<u>(5,220)</u>
Fund balances (deficits), end of year	<u>\$ (195,822)</u>	<u>\$ 3,315</u>	<u>\$ (1,018)</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Library Grant</u>	<u>Transit System Grant</u>	<u>Summer Lunch Program Grant</u>
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental	15,039		
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>15,039</u>	<u>0</u>	<u>0</u>
Expenditures:			
Current			
General governmental	25,564		
Public safety			
Public works			
Culture and recreation	14,159		15,625
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>39,723</u>	<u>0</u>	<u>15,625</u>
Excess (deficiency) of revenues over expenditures	<u>(24,684)</u>	<u> </u>	<u>(15,625)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(24,684)</u>	<u> </u>	<u>(15,625)</u>
Fund balances (deficits), beginning of year	<u>54,421</u>	<u>(142,755)</u>	<u>(29,985)</u>
Fund balances (deficits), end of year	<u>\$ 29,737</u>	<u>\$ (142,755)</u>	<u>\$ (45,610)</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Click It or Ticket	EMS	Wildland Grant
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental		11,742	
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	0	11,742	0
Expenditures:			
Current			
General governmental			
Public safety		7,001	
Public works			
Culture and recreation			
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	0	7,001	0
Excess (deficiency) of revenues over expenditures		4,741	
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	0	0	0
Change in fund balances		4,741	
Fund balances (deficits), beginning of year	(1,018)	2,619	(6,622)
Fund balances (deficits), end of year	\$ (1,018)	\$ 7,360	\$ (6,622)

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>Days and Nights of Summer</u>
Revenues:			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental	7,653		
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>7,653</u>	<u>0</u>	<u>0</u>
Expenditures:			
Current			
General governmental			
Public safety	9,858		
Public works			
Culture and recreation			
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>9,858</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(2,205)</u>		
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(2,205)</u>		
Fund balances (deficits), beginning of year	<u>(1,228)</u>	<u>(74,668)</u>	
Fund balances (deficits), end of year	<u><u>\$ (3,433)</u></u>	<u><u>\$ (74,668)</u></u>	<u><u>\$ 0</u></u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>DWI Program Enforcement</u>	<u>Public Safety Grants</u>	<u>E-911 Grant</u>
Revenues:			
Municipal and state shared taxes	\$	\$	\$ 932,281
Intergovernmental	11,632	168,247	
Charges for services		500	44,221
Licenses and permits			
Contributions and donations			
Other revenues			
Total revenues	<u>11,632</u>	<u>168,747</u>	<u>976,502</u>
Expenditures:			
Current			
General governmental			16,858
Public safety	11,303	200,140	892,142
Public works			
Culture and recreation			
Capital outlay		82,312	
Debt service			
Principal			
Interest			
Total expenditures	<u>11,303</u>	<u>282,452</u>	<u>909,000</u>
Excess (deficiency) of revenues over expenditures	<u>329</u>	<u>(113,705)</u>	<u>67,502</u>
Other financing sources (uses):			
Transfers in			
Transfers out			(21,065)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(21,065)</u>
Change in fund balances	<u>329</u>	<u>(113,705)</u>	<u>46,437</u>
Fund balances (deficits), beginning of year	<u>8,071</u>	<u></u>	<u>19,447</u>
Fund balances (deficits), end of year	<u>\$ 8,400</u>	<u>\$ (113,705)</u>	<u>\$ 65,884</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fire Protection</u>	<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>
Revenues:			
Municipal and state shared taxes	\$	\$ 327,356	\$
Intergovernmental	274,487		33,200
Charges for services			
Licenses and permits		1,708	
Contributions and donations			
Other revenues	<u>1,050</u>	<u> </u>	<u> </u>
Total revenues	<u>275,537</u>	<u>329,064</u>	<u>33,200</u>
Expenditures:			
Current			
General governmental	22,140	9,527	24,621
Public safety	163,198		4,041
Public works		320,861	
Culture and recreation			
Capital outlay			
Debt service			
Principal	32,200		
Interest	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>217,538</u>	<u>330,388</u>	<u>28,662</u>
Excess (deficiency) of revenues over expenditures	<u>57,999</u>	<u>(1,324)</u>	<u>4,538</u>
Other financing sources (uses):			
Transfers in			
Transfers out	<u> </u>	<u> </u>	<u>(15,583)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(15,583)</u>
Change in fund balances	<u>57,999</u>	<u>(1,324)</u>	<u>(11,045)</u>
Fund balances (deficits), beginning of year	<u>77,299</u>	<u>(40,321)</u>	<u>49,912</u>
Fund balances (deficits), end of year	<u>\$ 135,298</u>	<u>\$ (41,645)</u>	<u>\$ 38,867</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
Revenues:			
Municipal and state shared taxes	\$	\$ 65,184	\$
Intergovernmental			
Charges for services			
Licenses and permits			
Contributions and donations			
Other revenues			
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u> 0</u>	<u> 65,184</u>	<u> 0</u>
 Expenditures:			
Current			
General governmental			
Public safety			
Public works			
Culture and recreation		90	30,066
Capital outlay			
Debt service			
Principal			
Interest			
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u> 0</u>	<u> 90</u>	<u> 30,066</u>
 Excess (deficiency) of revenues over expenditures	<u> </u>	<u> 65,094</u>	<u> (30,066)</u>
 Other financing sources (uses):			
Transfers in			33,600
Transfers out		(74,713)	
	<u> </u>	<u> (74,713)</u>	<u> </u>
Total other financing sources (uses)	<u> 0</u>	<u> (74,713)</u>	<u> 33,600</u>
 Change in fund balances	<u> </u>	<u> (9,619)</u>	<u> 3,534</u>
 Fund balances (deficits), beginning of year	<u> 18,432</u>	<u> (1,379)</u>	<u> 86,064</u>
 Fund balances (deficits), end of year	<u> 18,432</u>	<u> (10,998)</u>	<u> 89,598</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>
Revenues:			
Municipal and state shared taxes	\$ 12,391	\$	\$
Intergovernmental			2,190
Charges for services	38,381		
Licenses and permits			
Contributions and donations	9,020		
Other revenues			
Total revenues	<u>59,792</u>	<u>0</u>	<u>2,190</u>
Expenditures:			
Current			
General governmental			
Public safety			
Public works			
Culture and recreation	67,473		2,599
Capital outlay			
Debt service			
Principal			
Interest			
Total expenditures	<u>67,473</u>	<u>0</u>	<u>2,599</u>
Excess (deficiency) of revenues over expenditures	<u>(7,681)</u>		<u>(409)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(7,681)</u>		<u>(409)</u>
Fund balances (deficits), beginning of year	<u>17,806</u>	<u>(38,003)</u>	<u>(1,927)</u>
Fund balances (deficits), end of year	<u>\$ 10,125</u>	<u>\$ (38,003)</u>	<u>\$ (2,336)</u>

CITY OF ESPANOLA, NEW MEXICO Statement A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Municipal Service Improvements</u>	<u>Total</u>
Revenues:		
Municipal and state shared taxes	\$	\$ 1,340,173
Intergovernmental	689,538	1,446,420
Charges for services		83,102
Licenses and permits		1,708
Contributions and donations		9,020
Other revenues	<u>9,689</u>	<u>10,739</u>
Total revenues	<u>699,227</u>	<u>2,891,162</u>
Expenditures:		
Current		
General governmental	90,269	222,600
Public safety	145,502	1,572,461
Public works	114,666	435,527
Culture and recreation		133,373
Capital outlay	149,173	231,485
Debt service		
Principal		32,200
Interest	<u>3,825</u>	<u>3,825</u>
Total expenditures	<u>503,435</u>	<u>2,631,471</u>
Excess (deficiency) of revenues over expenditures	<u>195,792</u>	<u>259,691</u>
Other financing sources (uses):		
Transfers in		33,600
Transfers out	<u> </u>	<u>(111,361)</u>
Total other financing sources (uses)	<u>0</u>	<u>(77,761)</u>
Change in fund balances	<u>195,792</u>	<u>181,930</u>
Fund balances (deficits), beginning of year	<u>281,093</u>	<u>38,556</u>
Fund balances (deficits), end of year	<u>\$ 476,885</u>	<u>\$ 220,486</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2010

	<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	\$ 3,600	\$ 3,600	\$ 2,961	\$ (639)
Intergovernmental	<u>0</u>	<u>5,000</u>	<u>1,315</u>	<u>(3,685)</u>
Total revenues	<u>3,600</u>	<u>8,600</u>	<u>4,276</u>	<u>(4,324)</u>
Expenditures:				
Current				
Culture and recreation	<u>3,600</u>	<u>8,600</u>	<u>3,361</u>	<u>5,239</u>
Total expenditures	<u>3,600</u>	<u>8,600</u>	<u>3,361</u>	<u>5,239</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>915</u>	<u>915</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>915</u>	<u>\$ 915</u>
Fund balances (deficits), July 1, 2009			<u>2,656</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 3,571</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - TEEN COURT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ <u>8,000</u>	\$ <u>8,000</u>	\$ <u>10,000</u>	\$ <u>2,000</u>
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>10,000</u>	<u>2,000</u>
Expenditures:				
Current				
Public safety	27,737	27,737	6,574	21,163
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>0</u>	<u>7,000</u>
Total expenditures	<u>34,737</u>	<u>34,737</u>	<u>6,574</u>	<u>28,163</u>
Excess (deficiency) of revenues over expenditures	<u>(26,737)</u>	<u>(26,737)</u>	<u>3,426</u>	<u>30,163</u>
Change in fund balances	<u><u>\$ (26,737)</u></u>	<u><u>\$ (26,737)</u></u>	<u>3,426</u>	<u><u>\$ 30,163</u></u>
Fund balances (deficits), July 1, 2009			<u>23,023</u>	
Fund balances (deficits), June 30, 2010			<u><u>\$ 26,449</u></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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 112,500	\$ 112,500	\$ 210,089	\$ 97,589
Total revenues	<u>112,500</u>	<u>112,500</u>	<u>210,089</u>	<u>97,589</u>
Expenditures:				
Current				
General governmental	0	0	33,621	(33,621)
Public safety	109,311	109,311	121,260	(11,949)
Capital outlay	<u>3,189</u>	<u>3,189</u>	<u>0</u>	<u>3,189</u>
Total expenditures	<u>112,500</u>	<u>112,500</u>	<u>154,881</u>	<u>(42,381)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>55,208</u>	<u>55,208</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>55,208</u>	<u>\$ 55,208</u>
Fund balances (deficits), July 1, 2009			<u>(34,493)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 20,715</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Contributions and donations	\$ <u>0</u>	\$ <u>1,000</u>	\$ <u>0</u>	\$ <u>(1,000)</u>
Total revenues	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Expenditures:				
Current				
Public safety	<u>0</u>	<u>1,000</u>	<u>1,680</u>	<u>(680)</u>
Total expenditures	<u>0</u>	<u>1,000</u>	<u>1,680</u>	<u>(680)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(1,680)</u>	<u>(1,680)</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(1,680)</u>	<u>\$ (1,680)</u>
Fund balances (deficits), July 1, 2009			<u>(14,526)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (16,206)</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>1,900</u>	\$ <u>3,880</u>	\$ <u>1,224</u>	\$ <u>(2,656)</u>
Total revenues	<u>1,900</u>	<u>3,880</u>	<u>1,224</u>	<u>(2,656)</u>
Expenditures:				
Current				
Public safety	<u>1,900</u>	<u>3,880</u>	<u>3,873</u>	<u>7</u>
Total expenditures	<u>1,900</u>	<u>3,880</u>	<u>3,873</u>	<u>7</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(2,649)</u>	<u>(2,649)</u>
Change in fund balances	<u><u>0</u></u>	<u><u>0</u></u>	<u>(2,649)</u>	<u><u>(2,649)</u></u>
Fund balances (deficits), July 1, 2009			<u>(5,971)</u>	
Fund balances (deficits), June 30, 2010			<u><u>\$ (8,620)</u></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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>13,500</u>	\$ <u>13,500</u>	\$ <u>1,117</u>	\$ <u>(12,383)</u>
Total revenues	<u>13,500</u>	<u>13,500</u>	<u>1,117</u>	<u>(12,383)</u>
Expenditures:				
Current				
Public safety	<u>13,500</u>	<u>13,500</u>	<u>1,144</u>	<u>12,356</u>
Total expenditures	<u>13,500</u>	<u>13,500</u>	<u>1,144</u>	<u>12,356</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(27)</u>	<u>(27)</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(27)</u>	<u>\$ (27)</u>
Fund balances (deficits), July 1, 2009			<u>(11,664)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (11,691)</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>12,434</u>	\$ <u>12,434</u>	\$ <u>0</u>	\$ <u>(12,434)</u>
Total revenues	<u>12,434</u>	<u>12,434</u>	<u>0</u>	<u>(12,434)</u>
Expenditures:				
Current				
Public safety	6,217	6,217	0	6,217
Capital outlay	<u>6,217</u>	<u>6,217</u>	<u>0</u>	<u>6,217</u>
Total expenditures	<u>12,434</u>	<u>12,434</u>	<u>0</u>	<u>12,434</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Fund balances (deficits), July 1, 2009			<u>3,315</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 3,315</u>	

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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>8,128</u>	\$ <u>8,128</u>	\$ <u>8,947</u>	\$ <u>819</u>
Total revenues	<u>8,128</u>	<u>8,128</u>	<u>8,947</u>	<u>819</u>
Expenditures:				
Current				
Public safety	<u>8,128</u>	<u>8,128</u>	<u>4,745</u>	<u>3,383</u>
Total expenditures	<u>8,128</u>	<u>8,128</u>	<u>4,745</u>	<u>3,383</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>4,202</u>	<u>4,202</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>4,202</u>	<u>\$ 4,202</u>
Fund balances (deficits), July 1, 2009			<u>(5,220)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (1,018)</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - LIBRARY GRANT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 52,237	\$ 59,930	\$ 15,039	\$ (44,891)
Total revenues	<u>52,237</u>	<u>59,930</u>	<u>15,039</u>	<u>(44,891)</u>
Expenditures:				
Current				
General governmental	0	0	25,564	(25,564)
Culture and recreation	27,720	27,720	14,159	13,561
Capital outlay	<u>25,517</u>	<u>32,210</u>	<u>0</u>	<u>32,210</u>
Total expenditures	<u>53,237</u>	<u>59,930</u>	<u>39,723</u>	<u>20,207</u>
Excess (deficiency) of revenues over expenditures	<u>(1,000)</u>	<u>0</u>	<u>(24,684)</u>	<u>(24,684)</u>
Change in fund balances	<u><u>\$ (1,000)</u></u>	<u><u>\$ 0</u></u>	<u>(24,684)</u>	<u><u>\$ (24,684)</u></u>
Fund balances (deficits), July 1, 2009			<u>54,421</u>	
Fund balances (deficits), June 30, 2010			<u><u>\$ 29,737</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - SUMMER LUNCH PROGRAM GRANT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Expenditures:				
Current				
Culture and recreation	\$ <u>0</u>	\$ <u>0</u>	\$ <u>15,625</u>	\$ <u>(15,625)</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>15,625</u>	<u>(15,625)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(15,625)</u>	<u>(15,625)</u>
Change in fund balances	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u>(15,625)</u>	<u><u>\$ (15,625)</u></u>
Fund balances (deficits), July 1, 2009			<u>(29,985)</u>	
Fund balances (deficits), June 30, 2010			<u><u>\$ (45,610)</u></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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ <u>0</u>	\$ <u>1,314</u>	\$ <u>0</u>	\$ <u>(1,314)</u>
Total revenues	<u>0</u>	<u>1,314</u>	<u>0</u>	<u>(1,314)</u>
Expenditures:				
Current				
Public safety	<u>0</u>	<u>1,314</u>	<u>0</u>	<u>1,314</u>
Total expenditures	<u>0</u>	<u>1,314</u>	<u>0</u>	<u>1,314</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	<u>0</u>	\$ <u><u>0</u></u>
Fund balances (deficits), July 1, 2009			<u>(1,018)</u>	
Fund balances (deficits), June 30, 2010			\$ <u><u>(1,018)</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - EMS
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>11,000</u>	\$ <u>11,000</u>	\$ <u>11,742</u>	\$ <u>742</u>
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>11,742</u>	<u>742</u>
Expenditures:				
Current				
Public safety	<u>11,000</u>	<u>11,000</u>	<u>7,001</u>	<u>3,999</u>
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>7,001</u>	<u>3,999</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>4,741</u>	<u>4,741</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>4,741</u>	<u>\$ 4,741</u>
Fund balances (deficits), July 1, 2009			<u>2,619</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 7,360</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ <u>0</u>	\$ <u>11,719</u>	\$ <u>7,653</u>	\$ <u>(4,066)</u>
Total revenues	<u>0</u>	<u>11,719</u>	<u>7,653</u>	<u>(4,066)</u>
Expenditures:				
Current				
Public safety	<u>0</u>	<u>11,719</u>	<u>0</u>	<u>11,719</u>
Total expenditures	<u>0</u>	<u>11,719</u>	<u>0</u>	<u>11,719</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>7,653</u>	<u>7,653</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>7,653</u>	<u>\$ 7,653</u>
Fund balances (deficits), July 1, 2009			<u>(1,228)</u>	
Fund balances, (deficits), June 30, 2010			<u>6,425</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			7,653	
Revenue accruals			0	
Expenditure accruals			<u>(9,858)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (2,205)</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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ <u>13,266</u>	\$ <u>13,266</u>	\$ <u>11,632</u>	\$ <u>(1,634)</u>
Total revenues	<u>13,266</u>	<u>13,266</u>	<u>11,632</u>	<u>(1,634)</u>
Expenditures:				
Current				
Public safety	<u>13,266</u>	<u>13,266</u>	<u>11,303</u>	<u>1,963</u>
Total expenditures	<u>13,266</u>	<u>13,266</u>	<u>11,303</u>	<u>1,963</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>329</u>	<u>329</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>329</u>	<u>329</u>
Fund balances (deficits), July 1, 2009			<u>8,071</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 8,400</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - PUBLIC SAFETY GRANTS
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 59,269	\$ 354,758	\$ 168,247	\$ (186,511)
Charges for services	<u>0</u>	<u>0</u>	<u>500</u>	<u>500</u>
Total revenues	<u>59,269</u>	<u>354,758</u>	<u>168,747</u>	<u>(186,011)</u>
Expenditures:				
Current				
Public safety	42,960	242,958	170,334	72,624
Capital outlay	<u>16,309</u>	<u>111,800</u>	<u>109,762</u>	<u>2,038</u>
Total expenditures	<u>59,269</u>	<u>354,758</u>	<u>280,096</u>	<u>74,662</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(111,349)</u>	<u>(111,349)</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(111,349)</u>	<u>\$ (111,349)</u>
Fund balances (deficits), July 1, 2009			<u>0</u>	
Fund balances (deficits), June 30, 2010			<u>(111,349)</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			(111,349)	
Revenue accruals			0	
Expenditure accruals			<u>(2,356)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)				<u>\$ (113,705)</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Municipal and state shared taxes	\$ 1,114,627	\$ 1,114,627	\$ 932,281	\$ (182,346)
Charges for services	<u>34,473</u>	<u>34,473</u>	<u>44,221</u>	<u>9,748</u>
Total revenues	<u>1,149,100</u>	<u>1,149,100</u>	<u>976,502</u>	<u>(172,598)</u>
Expenditures:				
Current				
General governmental	0	0	16,858	(16,858)
Public safety	1,113,097	1,113,097	892,067	221,030
Capital outlay	<u>37,564</u>	<u>37,564</u>	<u>0</u>	<u>37,564</u>
Total expenditures	<u>1,150,661</u>	<u>1,150,661</u>	<u>908,925</u>	<u>241,736</u>
Excess (deficiency) of revenues over expenditures	<u>(1,561)</u>	<u>(1,561)</u>	<u>67,577</u>	<u>69,138</u>
Other financing sources (uses):				
Transfers out	<u>(11,491)</u>	<u>(11,491)</u>	<u>(21,065)</u>	<u>(9,574)</u>
Total other financing sources (uses)	<u>(11,491)</u>	<u>(11,491)</u>	<u>(21,065)</u>	<u>(9,574)</u>
Change in fund balances	<u>\$ (13,052)</u>	<u>\$ (13,052)</u>	<u>46,512</u>	<u>\$ 59,564</u>
Fund balances (deficits), July 1, 2009			<u>19,447</u>	
Fund balances (deficits), June 30, 2010			<u>65,959</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			46,512	
Revenue accruals			0	
Expenditure accruals			<u>(75)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 46,437</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - FIRE PROTECTION
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 102,327	\$ 341,517	\$ 274,487	\$ (67,030)
Charges for services	2,000	2,000	0	(2,000)
Other revenues	<u>2,000</u>	<u>2,000</u>	<u>1,050</u>	<u>(950)</u>
Total revenues	<u>106,327</u>	<u>345,517</u>	<u>275,537</u>	<u>(69,980)</u>
Expenditures:				
Current				
General governmental	0	0	22,140	(22,140)
Public safety	0	230,045	163,198	66,847
Capital outlay	20,855	30,000	0	30,000
Debt service				
Principal	82,500	82,500	32,200	50,300
Interest	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total expenditures	<u>103,855</u>	<u>343,045</u>	<u>217,538</u>	<u>125,507</u>
Excess (deficiency) of revenues over expenditures	<u>2,472</u>	<u>2,472</u>	<u>57,999</u>	<u>55,527</u>
Change in fund balances	<u>\$ 2,472</u>	<u>\$ 2,472</u>	<u>57,999</u>	<u>\$ 55,527</u>
Fund balances (deficits), July 1, 2009			<u>77,299</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 135,298</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Municipal and state shared taxes	\$ 350,592	\$ 350,592	\$ 327,356	\$ (23,236)
Licenses and permits	<u>2,000</u>	<u>2,000</u>	<u>1,708</u>	<u>(292)</u>
Total revenues	<u>352,592</u>	<u>352,592</u>	<u>329,064</u>	<u>(23,528)</u>
Expenditures:				
Current				
General governmental	0	0	9,527	(9,527)
Public works	339,650	339,650	320,861	18,789
Capital outlay	<u>12,000</u>	<u>12,000</u>	<u>0</u>	<u>12,000</u>
Total expenditures	<u>351,650</u>	<u>351,650</u>	<u>330,388</u>	<u>21,262</u>
Excess (deficiency) of revenues over expenditures	<u>942</u>	<u>942</u>	<u>(1,324)</u>	<u>(2,266)</u>
Change in fund balances	<u>\$ 942</u>	<u>\$ 942</u>	<u>(1,324)</u>	<u>\$ (2,266)</u>
Fund balances (deficits), July 1, 2009			<u>(40,321)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (41,645)</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 33,200	\$ 46,195	\$ 33,200	\$ (12,995)
Total revenues	<u>33,200</u>	<u>46,195</u>	<u>33,200</u>	<u>(12,995)</u>
Expenditures:				
Current				
General governmental	0	0	24,621	(24,621)
Public safety	7,065	7,065	4,041	3,024
Capital outlay	<u>23,510</u>	<u>36,505</u>	<u>0</u>	<u>36,505</u>
Total expenditures	<u>30,575</u>	<u>43,570</u>	<u>28,662</u>	<u>14,908</u>
Excess (deficiency) of revenues over expenditures	<u>2,625</u>	<u>2,625</u>	<u>4,538</u>	<u>1,913</u>
Other financing sources (uses):				
Transfers out	<u>(15,620)</u>	<u>(15,620)</u>	<u>(15,583)</u>	<u>37</u>
Total other financing sources (uses)	<u>(15,620)</u>	<u>(15,620)</u>	<u>(15,583)</u>	<u>37</u>
Change in fund balances	<u><u>\$ (12,995)</u></u>	<u><u>\$ (12,995)</u></u>	<u>(11,045)</u>	<u><u>\$ 1,950</u></u>
Fund balances (deficits), July 1, 2009			<u>49,912</u>	
Fund balances (deficits), June 30, 2010			<u><u>\$ 38,867</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - LODGERS' TAX
YEAR ENDED JUNE 30, 2010

	<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	\$ <u>72,500</u>	\$ <u>85,500</u>	\$ <u>65,184</u>	\$ <u>(20,316)</u>
Total revenues	<u>72,500</u>	<u>85,500</u>	<u>65,184</u>	<u>(20,316)</u>
Expenditures:				
Current				
Culture and recreation	<u>10,787</u>	<u>10,787</u>	<u>90</u>	<u>10,697</u>
Total Expenditures	<u>10,787</u>	<u>10,787</u>	<u>90</u>	<u>10,697</u>
Excess (deficiency) of revenues over expenditures	<u>61,713</u>	<u>74,713</u>	<u>65,094</u>	<u>(9,619)</u>
Other financing sources (uses):				
Transfers out	<u>(74,713)</u>	<u>(74,713)</u>	<u>(74,713)</u>	<u>0</u>
Total other financing sources (uses)	<u>(74,713)</u>	<u>(74,713)</u>	<u>(74,713)</u>	<u>0</u>
Changes in fund balances	<u>\$ (13,000)</u>	<u>\$ 0</u>	<u>(9,619)</u>	<u>\$ (9,619)</u>
Fund balances (deficits), July 1, 2009			<u>(1,379)</u>	
Fund balances (deficits), June 30, 2010				<u>\$ (10,998)</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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures:				
Current				
Culture and recreation	<u>20,560</u>	<u>33,560</u>	<u>30,066</u>	<u>3,494</u>
Total Expenditures	<u>20,560</u>	<u>33,560</u>	<u>30,066</u>	<u>3,494</u>
Excess (deficiency) of revenues over expenditures	<u>(20,560)</u>	<u>(33,560)</u>	<u>(30,066)</u>	<u>3,494</u>
Other financing sources (uses):				
Transfers in	<u>0</u>	<u>0</u>	<u>33,600</u>	<u>33,600</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>33,600</u>	<u>33,600</u>
Changes in fund balances	<u>\$ (20,560)</u>	<u>\$ (33,560)</u>	<u>3,534</u>	<u>\$ 37,094</u>
Fund balances (deficits), July 1, 2009			<u>86,064</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 89,598</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - FIESTA COUNCIL
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Municipal and state shared taxes	\$ 10,000	\$ 10,000	\$ 12,391	\$ 2,391
Charges for services	10,400	10,400	38,381	27,981
Contributions and donations	30,600	30,600	9,020	(21,580)
Other revenues	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>(4,000)</u>
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>59,792</u>	<u>4,792</u>
Expenditures:				
Current -				
Culture and recreation	<u>55,000</u>	<u>55,000</u>	<u>67,473</u>	<u>(12,473)</u>
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>67,473</u>	<u>(12,473)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(7,681)</u>	<u>(7,681)</u>
Changes in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(7,681)</u>	<u>\$ (7,681)</u>
Fund balances (deficits), July 1, 2009			<u>17,806</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 10,125</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ <u>2,600</u>	\$ <u>2,600</u>	\$ <u>2,190</u>	\$ <u>(410)</u>
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>2,190</u>	<u>(410)</u>
Expenditures:				
Current -				
Culture and recreation	<u>2,600</u>	<u>2,600</u>	<u>2,599</u>	<u>1</u>
Total Expenditures	<u>2,600</u>	<u>2,600</u>	<u>2,599</u>	<u>1</u>
Changes in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(409)</u>	<u>\$ (409)</u>
Fund balances (deficits), July 1, 2009			<u>(1,927)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (2,336)</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 421,118	\$ 703,878	\$ 689,538	\$ (14,340)
Other revenues	<u>0</u>	<u>0</u>	<u>9,689</u>	<u>9,689</u>
Total revenues	<u>421,118</u>	<u>703,878</u>	<u>699,227</u>	<u>(4,651)</u>
Expenditures:				
Current				
General governmental	0	0	90,269	(90,269)
Public safety	358,942	515,855	101,306	414,549
Public works	326,807	326,807	114,666	212,141
Capital Outlay	4,430	130,277	193,369	(63,092)
Interest	<u>0</u>	<u>0</u>	<u>3,825</u>	<u>(3,825)</u>
Total Expenditures	<u>690,179</u>	<u>972,939</u>	<u>503,435</u>	<u>469,504</u>
Excess (deficiency) of revenues over expenditures	<u>(269,061)</u>	<u>(269,061)</u>	<u>195,792</u>	<u>464,853</u>
Changes in fund balances	<u>\$ (269,061)</u>	<u>\$ (269,061)</u>	<u>195,792</u>	<u>\$ 464,853</u>
Fund balances (deficits), July 1, 2009			<u>281,093</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 476,885</u>	

CITY OF ESPANOLA, NEW MEXICO Statement B-1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	2002 Bond Debt Service	RUS Loan Debt Service	Environmental Department Loan
ASSETS			
Cash and investments	\$ <u>406,292</u>	\$ <u>386,907</u>	\$ _____
Total assets	\$ <u>406,292</u>	\$ <u>386,907</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$ 94,830	\$	\$
Accounts payable			
Due to other funds	<u>412,954</u>	<u>12,445</u>	<u> </u>
Total liabilities	<u>507,784</u>	<u>12,445</u>	<u>0</u>
Fund balances (deficits):			
Restricted		374,462	
Unassigned	<u>(101,492)</u>	<u> </u>	<u> </u>
Total fund balances	<u>(101,492)</u>	<u>374,462</u>	<u>0</u>
Total liabilities and fund balances	\$ <u><u>406,292</u></u>	\$ <u><u>386,907</u></u>	\$ <u><u>0</u></u>

CITY OF ESPANOLA, NEW MEXICO Statement B-1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>NMFA Debt Service</u>	<u>NMFA WWW Debt Service</u>	<u>1994 Bond Debt Service</u>
ASSETS			
Cash and investments	\$ <u>282,231</u>	\$ <u>199,322</u>	\$ <u>653,477</u>
Total assets	\$ <u>282,231</u>	\$ <u>199,322</u>	\$ <u>653,477</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$ 12,860	\$ 162,130	\$
Accounts payable			
Due to other funds	<u>180,277</u>	<u> </u>	<u> </u>
Total liabilities	<u>193,137</u>	<u>162,130</u>	<u>0</u>
Fund balances (deficits):			
Restricted	89,094	37,192	653,477
Unassigned	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>89,094</u>	<u>37,192</u>	<u>653,477</u>
Total liabilities and fund balances	\$ <u><u>282,231</u></u>	\$ <u><u>199,322</u></u>	\$ <u><u>653,477</u></u>

CITY OF ESPANOLA, NEW MEXICO Statement B-1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	NMFA DWSRF Debt Service	NMED CWSRF Debt Service	Totals
ASSETS			
Cash and investments	\$ <u> </u>	\$ <u> 973,499</u>	\$ <u> 2,901,728</u>
Total assets	\$ <u> 0</u>	\$ <u> 973,499</u>	\$ <u> 2,901,728</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash Deficit	\$ 152,535	\$ 170,043	\$ 592,398
Accounts payable	444		444
Due to other funds	<u> </u>	<u> 207</u>	<u> 605,883</u>
Total liabilities	<u> 152,979</u>	<u> 170,250</u>	<u> 1,198,725</u>
Fund balances (deficits):			
Restricted		803,249	1,957,474
Unassigned	<u> (152,979)</u>	<u> </u>	<u> (254,471)</u>
Total fund balances	<u> (152,979)</u>	<u> 803,249</u>	<u> 1,703,003</u>
Total liabilities and fund balances	\$ <u> 0</u>	\$ <u> 973,499</u>	\$ <u> 2,901,728</u>

CITY OF ESPANOLA, NEW MEXICO Statement B-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	2002 Bond Debt Service	RUS Loan Debt Service	Environmental Department Loan
Revenues:			
Investment Income	\$ 270	\$	\$
Other Income	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>270</u>	<u>0</u>	<u>0</u>
Expenditures:			
Debt service			
Principal	173,780	220,996	208,671
Interest	389,645	9,800	40,710
Other charges	<u>19,250</u>	<u> </u>	<u> </u>
Total expenditures	<u>582,675</u>	<u>230,796</u>	<u>249,381</u>
Excess (deficiency) of revenues over expenditures	<u>(582,405)</u>	<u>(230,796)</u>	<u>(249,381)</u>
Other financing sources (uses):			
Transfers in	990,160	629,277	249,381
Transfers out	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>990,160</u>	<u>629,277</u>	<u>249,381</u>
Change in fund balances	<u>407,755</u>	<u>398,481</u>	<u>0</u>
Fund balances (deficits), beginning of year	<u>(509,247)</u>	<u>(24,019)</u>	<u>0</u>
Fund balances (deficits), end of the Year	<u><u>\$ (101,492)</u></u>	<u><u>\$ 374,462</u></u>	<u><u>\$ 0</u></u>

CITY OF ESPANOLA, NEW MEXICO Statement B-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>NMFA Debt Service</u>	<u>NMFA WWW Debt Service</u>	<u>1994 Bond Debt Service</u>
Revenues:			
Investment Income	\$ 3,657	\$ 937	\$
Other Income	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>3,657</u>	<u>937</u>	<u>0</u>
Expenditures:			
Debt service			
Principal			
Interest	49,110	52,296	
Other charges	<u>2,233</u>	<u> </u>	<u> </u>
Total expenditures	<u>51,343</u>	<u>52,296</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(47,686)</u>	<u>(51,359)</u>	<u>0</u>
Other financing sources (uses):			
Transfers in	136,347	88,433	
Transfers out	<u>(725)</u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>135,622</u>	<u>88,433</u>	<u>0</u>
Change in fund balances	<u>87,936</u>	<u>37,074</u>	<u>0</u>
Fund balances (deficits), beginning of year	<u>1,158</u>	<u>118</u>	<u>653,477</u>
Fund balances (deficits), end of the Year	<u>\$ 89,094</u>	<u>\$ 37,192</u>	<u>\$ 653,477</u>

CITY OF ESPANOLA, NEW MEXICO Statement B-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	<u>NMFA</u> <u>DWSRF Debt</u> <u>Service</u>	<u>NMED</u> <u>CWSRF Debt</u> <u>Service</u>	<u>Totals</u>
Revenues:			
Investment Income	\$ 36	\$ 84	\$ 4,984
Other Income	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>36</u>	<u>84</u>	<u>4,984</u>
Expenditures:			
Debt service			
Principal	81,857		685,304
Interest	8,009		549,570
Other charges	<u>1,728</u>	<u> </u>	<u>23,211</u>
Total expenditures	<u>91,594</u>	<u>0</u>	<u>1,258,085</u>
Excess (deficiency) of revenues over expenditures	<u>(91,558)</u>	<u>84</u>	<u>(1,253,101)</u>
Other financing sources (uses):			
Transfers in	90,992	364,899	2,549,489
Transfers out	<u> </u>	<u> </u>	<u>(725)</u>
Total other financing sources (uses)	<u>90,992</u>	<u>364,899</u>	<u>2,548,764</u>
Change in fund balances	<u>(566)</u>	<u>364,983</u>	<u>1,295,663</u>
Fund balances (deficits), beginning of year	<u>(152,413)</u>	<u>438,266</u>	<u>407,340</u>
Fund balances (deficits), end of the Year	<u>\$ (152,979)</u>	<u>\$ 803,249</u>	<u>\$ 1,703,003</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Investment income	\$ 0	\$ 0	\$ 270	\$ 270
Other Income	<u>0</u>	<u>0</u>	<u>29,837</u>	<u>29,837</u>
Total revenues	<u>0</u>	<u>0</u>	<u>30,107</u>	<u>30,107</u>
Expenditures:				
Debt service				
Principal	400,000	400,000	11,041	388,959
Interest	139,593	139,593	388,856	(249,263)
Fiscal charges	<u>0</u>	<u>0</u>	<u>19,250</u>	<u>(19,250)</u>
Total Expenditures	<u>539,593</u>	<u>539,593</u>	<u>419,147</u>	<u>120,446</u>
Excess (deficiency) of revenues over expenditures	<u>(539,593)</u>	<u>(539,593)</u>	<u>(389,040)</u>	<u>150,553</u>
Other financing sources (uses):				
Transfers in	<u>531,094</u>	<u>531,094</u>	<u>990,160</u>	<u>459,066</u>
Total other financing sources (uses)	<u>531,094</u>	<u>531,094</u>	<u>990,160</u>	<u>459,066</u>
Changes in fund balances	<u>\$ (8,499)</u>	<u>\$ (8,499)</u>	<u>601,120</u>	<u>\$ 609,619</u>
Fund balances (deficits), July 1, 2009			<u>(509,247)</u>	
Fund balances (deficits), June 30, 2010			<u>91,873</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			601,120	
Revenue accruals			(29,837)	
Expenditure accruals			<u>(163,528)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 407,755</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures:				
Debt service				
Principal	650,509	650,509	220,996	429,513
Interest	<u>9,768</u>	<u>9,768</u>	<u>9,800</u>	<u>(32)</u>
Total Expenditures	<u>660,277</u>	<u>660,277</u>	<u>230,796</u>	<u>429,481</u>
Excess (deficiency) of revenues over expenditures	<u>(660,277)</u>	<u>(660,277)</u>	<u>(230,796)</u>	<u>429,481</u>
Other financing sources (uses):				
Transfers in	<u>13,113</u>	<u>13,113</u>	<u>629,277</u>	<u>616,164</u>
Total other financing sources (uses)	<u>13,113</u>	<u>13,113</u>	<u>629,277</u>	<u>616,164</u>
Changes in fund balances	\$ <u>(647,164)</u>	\$ <u>(647,164)</u>	<u>398,481</u>	\$ <u>1,045,645</u>
Fund balances (deficits), July 1, 2009			<u>(24,019)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 374,462</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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures:				
Debt service				
Principal	208,671	208,671	208,671	0
Interest	<u>40,710</u>	<u>40,710</u>	<u>40,710</u>	<u>0</u>
Total Expenditures	<u>249,381</u>	<u>249,381</u>	<u>249,381</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(249,381)</u>	<u>(249,381)</u>	<u>(249,381)</u>	<u>0</u>
Other financing sources (uses):				
Transfers in	<u>249,381</u>	<u>249,381</u>	<u>249,381</u>	<u>0</u>
Total other financing sources (uses)	<u>249,381</u>	<u>249,381</u>	<u>249,381</u>	<u>0</u>
Changes in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Fund balances (deficits), July 1, 2009			<u>0</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 0</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - NMFA DEBT SERVICES
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Investment income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,657</u>	\$ <u>3,657</u>
Total revenues	<u>0</u>	<u>0</u>	<u>3,657</u>	<u>3,657</u>
Expenditures:				
Debt service				
Principal	88,388	88,388	0	88,388
Interest	51,344	51,344	49,110	2,234
Fiscal charges	<u>0</u>	<u>0</u>	<u>2,233</u>	<u>(2,233)</u>
Total Expenditures	<u>139,732</u>	<u>139,732</u>	<u>51,343</u>	<u>88,389</u>
Excess (deficiency) of revenues over expenditures	<u>(139,732)</u>	<u>(139,732)</u>	<u>(47,686)</u>	<u>92,046</u>
Other financing sources (uses):				
Transfers in	99,112	99,112	136,347	37,235
Transfers out	<u>(8,700)</u>	<u>(8,700)</u>	<u>(725)</u>	<u>7,975</u>
Total other financing sources (uses)	<u>90,412</u>	<u>90,412</u>	<u>135,622</u>	<u>45,210</u>
Changes in fund balances	\$ <u>(49,320)</u>	\$ <u>(49,320)</u>	<u>87,936</u>	\$ <u>137,256</u>
Fund balances (deficits), July 1, 2009			<u>1,158</u>	
Fund balances (deficits), June 30, 2010			\$ <u>89,094</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - NMFA WWW DEBT SERVICE
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>937</u>	\$ <u>937</u>
Total revenues	<u>0</u>	<u>0</u>	<u>937</u>	<u>937</u>
Expenditures:				
Debt service				
Principal	39,485	39,485	0	39,485
Interest	<u>52,296</u>	<u>52,296</u>	<u>52,296</u>	<u>0</u>
Total Expenditures	<u>91,781</u>	<u>91,781</u>	<u>52,296</u>	<u>39,485</u>
Excess (deficiency) of revenues over expenditures	<u>(91,781)</u>	<u>(91,781)</u>	<u>(51,359)</u>	<u>40,422</u>
Other financing sources (uses):				
Transfers in	<u>51,601</u>	<u>51,601</u>	<u>88,433</u>	<u>36,832</u>
Total other financing sources (uses)	<u>51,601</u>	<u>51,601</u>	<u>88,433</u>	<u>36,832</u>
Changes in fund balances	<u>\$ (40,180)</u>	<u>\$ (40,180)</u>	<u>37,074</u>	<u>\$ 77,254</u>
Fund balances (deficits), July 1, 2009			<u>118</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 37,192</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>36</u>	\$ <u>36</u>
Total revenues	<u>0</u>	<u>0</u>	<u>36</u>	<u>36</u>
Expenditures:				
Debt service -				
Principal	84,291	84,291	81,857	2,434
Interest	4,868	4,868	8,009	(3,141)
Fiscal charges	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Total Expenditures	<u>91,159</u>	<u>91,159</u>	<u>91,594</u>	<u>(435)</u>
Excess (deficiency) of revenues over expenditures	<u>(91,159)</u>	<u>(91,159)</u>	<u>(91,558)</u>	<u>(399)</u>
Other financing sources (uses):				
Transfers in	<u>0</u>	<u>0</u>	<u>90,992</u>	<u>90,992</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>90,992</u>	<u>90,992</u>
Changes in fund balances	<u>\$ (91,159)</u>	<u>\$ (91,159)</u>	<u>(566)</u>	<u>\$ 90,593</u>
Fund balances (deficits), July 1, 2009			<u>(152,413)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (152,979)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>84</u>	\$ <u>84</u>
Total revenues	<u>0</u>	<u>0</u>	<u>84</u>	<u>84</u>
Expenditures:				
Debt service				
Principal	208,671	208,671	0	208,671
Interest	<u>40,710</u>	<u>40,710</u>	<u>0</u>	<u>40,710</u>
Total Expenditures	<u>249,381</u>	<u>249,381</u>	<u>0</u>	<u>249,381</u>
Excess (deficiency) of revenues over expenditures	<u>(249,381)</u>	<u>(249,381)</u>	<u>84</u>	<u>249,465</u>
Other financing sources (uses):				
Transfers in	<u>249,381</u>	<u>249,381</u>	<u>364,899</u>	<u>115,518</u>
Total other financing sources (uses)	<u>249,381</u>	<u>249,381</u>	<u>364,899</u>	<u>115,518</u>
Changes in fund balances	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	<u>364,983</u>	\$ <u><u>364,983</u></u>
Fund balances (deficits), July 1, 2009			<u>438,266</u>	
Fund balances (deficits), June 30, 2010			\$ <u><u>803,249</u></u>	

CITY OF ESPANOLA, NEW MEXICO Statement C-1
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	Plaza Development	Capital Projects Grants	NMLA Capital Improvements Grant	USDA Grants
ASSETS				
Cash and investments	\$	\$ 933,707	\$	\$
Due from other funds		191,794		
Total assets	\$ 0	\$ 1,125,501	\$ 0	\$ 0
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash deficit	\$ 8,829	\$	\$ 157,591	\$ 22,419
Accounts payable	1,173	635	6,717	
Due to other funds				9
Total liabilities	10,002	635	164,308	22,428
 Fund balances (deficits):				
Restricted		1,124,866		
Unassigned	(10,002)		(164,308)	(22,428)
Total fund balances	(10,002)	1,124,866	(164,308)	(22,428)
Total liabilities and fund balances	\$ 0	\$ 1,125,501	\$ 0	\$ 0

CITY OF ESPANOLA, NEW MEXICO Statement C-1
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	NM SAP W/WW Project Grant	Federal W/WW Project Grant	NMFA Trust Board	State Water Project Grants
ASSETS				
Cash and investments	\$ 31,519	\$	\$	\$
Due from other funds	_____	_____	_____	_____
Total assets	<u>\$ 31,519</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash deficit	\$	\$ 213,215	\$ 993	\$ 3,260
Accounts payable		223,216		
Due to other funds	_____	10,332	_____	_____
Total liabilities	<u>0</u>	<u>446,763</u>	<u>993</u>	<u>3,260</u>
Fund balances (deficits):				
Restricted	31,519			
Unassigned	_____	(446,763)	(993)	(3,260)
Total fund balances	<u>31,519</u>	<u>(446,763)</u>	<u>(993)</u>	<u>(3,260)</u>
Total liabilities and fund balances	<u>\$ 31,519</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF ESPANOLA, NEW MEXICO Statement C-1
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	State Agency on Aging Grants	Trust Service Fund	NMFA Loan Reserve	NMFA PPR Equipment Project Loan
ASSETS				
Cash and investments	\$	\$ 377,264	\$ 517,042	\$ 189,046
Due from other funds				495
Total assets	<u>\$ 0</u>	<u>\$ 377,264</u>	<u>\$ 517,042</u>	<u>\$ 189,541</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash deficit	\$ 18,162	\$ 288,106	\$	\$
Accounts payable				
Due to other funds		80,652	58,624	
Total liabilities	<u>18,162</u>	<u>368,758</u>	<u>58,624</u>	<u>0</u>
Fund balances (deficits):				
Restricted		8,506	458,418	189,541
Unassigned	(18,162)			
Total fund balances	<u>(18,162)</u>	<u>8,506</u>	<u>458,418</u>	<u>189,541</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 377,264</u>	<u>\$ 517,042</u>	<u>\$ 189,541</u>

CITY OF ESPANOLA, NEW MEXICO Statement C-1
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	NM State Board of FIN Loan	USDA Loan / Police Department	Totals
ASSETS			
Cash and investments	\$	\$	\$ 2,048,578
Due from other funds			192,289
Total assets	\$ 0	\$ 0	\$ 2,240,867
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash deficit	\$	\$ 124,992	\$ 837,567
Accounts payable			231,741
Due to other funds			149,617
Total liabilities	0	124,992	1,218,925
Fund balances (deficits):			
Restricted			1,812,850
Unassigned		(124,992)	(790,908)
Total fund balances	0	(124,992)	1,021,942
Total liabilities and fund balances	\$ 0	\$ 0	\$ 2,240,867

CITY OF ESPANOLA, NEW MEXICO Statement C-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Plaza Development</u>	<u>Capital Projects Grants</u>	<u>NMLA Capital Improvements Grant</u>
Revenues:			
Intergovernmental	\$	\$	\$ 409,702
Charges for services	2,687		
Investment income		833	
Other revenue			
Total revenues	<u>2,687</u>	<u>833</u>	<u>409,702</u>
Expenditures:			
General government	104,366		402,084
Public works		1,498	
Debt service			
Principal			
Interest			
Total expenditures	<u>104,366</u>	<u>1,498</u>	<u>402,084</u>
Excess (deficiency) of revenues over expenditures	<u>(101,679)</u>	<u>(665)</u>	<u>7,618</u>
Other financing sources (uses):			
Transfers In	38,125		
Transfers Out			
Total other financing sources (uses)	<u>38,125</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(63,554)</u>	<u>(665)</u>	<u>7,618</u>
Fund balances (deficits), beginning of year	<u>53,552</u>	<u>1,125,531</u>	<u>(171,926)</u>
Fund balances (deficits), end of year	<u>\$ (10,002)</u>	<u>\$ 1,124,866</u>	<u>\$ (164,308)</u>

CITY OF ESPANOLA, NEW MEXICO Statement C-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	USDA Grants	NM SAP W/WW Project Grant	Federal W/WW Project Grant
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Investment income			
Other revenue			
Total revenues	0	0	0
Expenditures:			
General government			120,584
Public works			
Debt service			
Principal			
Interest			
Total expenditures	0	0	120,584
Excess (deficiency) of revenues over expenditures			(120,584)
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)	0	0	0
Change in fund balances			(120,584)
Fund balances (deficits), beginning of year	(22,428)	31,519	(326,179)
Fund balances (deficits), end of year	\$ (22,428)	\$ 31,519	\$ (446,763)

CITY OF ESPANOLA, NEW MEXICO Statement C-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	NMFA Trust Board	State Water Project Grants	State Agency on Aging Grants
Revenues:			
Intergovernmental	\$ 726,525	\$ 13,826	\$ 39,797
Charges for services			
Investment income			
Other revenue			
	<u>726,525</u>	<u>13,826</u>	<u>39,797</u>
Total revenues			
	<u>726,525</u>	<u>13,826</u>	<u>39,797</u>
Expenditures:			
General government	155,371		35,000
Public works	571,233	19,830	
Debt service			
Principal			
Interest			
	<u>726,604</u>	<u>19,830</u>	<u>35,000</u>
Total expenditures			
	<u>726,604</u>	<u>19,830</u>	<u>35,000</u>
Excess (deficiency) of revenues over expenditures	<u>(79)</u>	<u>(6,004)</u>	<u>4,797</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)			
	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>(79)</u>	<u>(6,004)</u>	<u>4,797</u>
Fund balances (deficits), beginning of year	<u>(914)</u>	<u>2,744</u>	<u>(22,959)</u>
Fund balances (deficits), end of year	<u>\$ (993)</u>	<u>\$ (3,260)</u>	<u>\$ (18,162)</u>

CITY OF ESPANOLA, NEW MEXICO Statement C-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Trust Service Fund</u>	<u>NMFA Loan Reserve</u>	<u>NMFA PPR Equipment Project Loan</u>
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Investment income			132
Other revenue	<u>8,506</u>	<u> </u>	<u> </u>
Total revenues	<u>8,506</u>	<u>0</u>	<u>132</u>
Expenditures:			
General government			274
Public works			
Debt service			
Principal			
Interest	<u> </u>	<u> </u>	<u>3,528</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>3,802</u>
Excess (deficiency) of revenues over expenditures	<u>8,506</u>	<u> </u>	<u>(3,670)</u>
Other financing sources (uses):			
Transfers In			113,518
Transfers Out	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>113,518</u>
Change in fund balances	<u>8,506</u>	<u> </u>	<u>109,848</u>
Fund balances (deficits), beginning of year	<u> </u>	<u>458,418</u>	<u>79,693</u>
Fund balances (deficits), end of year	<u>\$ 8,506</u>	<u>\$ 458,418</u>	<u>\$ 189,541</u>

CITY OF ESPANOLA, NEW MEXICO Statement C-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2010

	<u>NM State Board of FIN Loan</u>	<u>USDA Loan / Police Department</u>	<u>Totals</u>
Revenues:			
Intergovernmental	\$	\$	\$ 1,189,850
Charges for services			2,687
Investment income			965
Other revenue			<u>8,506</u>
Total revenues	<u>0</u>	<u>0</u>	<u>1,202,008</u>
Expenditures:			
General government			817,679
Public works			592,561
Debt service			
Principal		4,375	4,375
Interest		<u>11,200</u>	<u>14,728</u>
Total expenditures	<u>0</u>	<u>15,575</u>	<u>1,429,343</u>
Excess (deficiency) of revenues over expenditures		<u>(15,575)</u>	<u>(227,335)</u>
Other financing sources (uses):			
Transfers In		15,583	167,226
Transfers Out			
Total other financing sources (uses)	<u>0</u>	<u>15,583</u>	<u>167,226</u>
Change in fund balances		<u>8</u>	<u>(60,109)</u>
Fund balances (deficits), beginning of year		<u>(125,000)</u>	<u>1,082,051</u>
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ (124,992)</u>	<u>\$ 1,021,942</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - PLAZA DEVELOPMENT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ <u>9,400</u>	\$ <u>56,525</u>	\$ <u>2,687</u>	\$ <u>(53,838)</u>
Total revenues	<u>9,400</u>	<u>56,525</u>	<u>2,687</u>	<u>(53,838)</u>
Expenditures:				
General Government	<u>100,345</u>	<u>144,818</u>	<u>104,366</u>	<u>40,452</u>
Total Expenditures	<u>100,345</u>	<u>144,818</u>	<u>104,366</u>	<u>40,452</u>
Excess (deficiency) of revenues over expenditures	<u>(90,945)</u>	<u>(88,293)</u>	<u>(101,679)</u>	<u>(13,386)</u>
Other financing sources (uses):				
Transfers in	<u>38,125</u>	<u>38,125</u>	<u>38,125</u>	<u>0</u>
Total other financing sources (uses)	<u>38,125</u>	<u>38,125</u>	<u>38,125</u>	<u>0</u>
Changes in fund balances	<u><u>\$ (52,820)</u></u>	<u><u>\$ (50,168)</u></u>	<u><u>(63,554)</u></u>	<u><u>\$ (13,386)</u></u>
Fund balances (deficits), July 1, 2009			<u>53,552</u>	
Fund balances (deficits), June 30, 2010				<u><u>\$ (10,002)</u></u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS GRANT
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 38,634	\$ 38,634	\$ 0	\$ (38,634)
Investment income	<u>0</u>	<u>0</u>	<u>833</u>	<u>833</u>
Total revenues	<u>38,634</u>	<u>38,634</u>	<u>833</u>	<u>(37,801)</u>
Expenditures				
Public works	<u>38,634</u>	<u>38,634</u>	<u>68,083</u>	<u>(29,449)</u>
Total expenditures	<u>38,634</u>	<u>38,634</u>	<u>68,083</u>	<u>(29,449)</u>
Change in fund balances	\$ <u>0</u>	\$ <u>0</u>	<u>(67,250)</u>	\$ <u>(67,250)</u>
Fund balances (deficits), June 30, 2009			<u>1,125,531</u>	
Fund balances (deficits), June 30, 2010			<u>1,058,281</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			(67,250)	
Revenue accruals			0	
Expenditure accruals			<u>66,585</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)				\$ <u>(665)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ <u>1,453,612</u>	\$ <u>1,453,612</u>	\$ <u>409,702</u>	\$ <u>(1,043,910)</u>
Total revenues	<u>1,453,612</u>	<u>1,453,612</u>	<u>409,702</u>	<u>(1,043,910)</u>
Expenditures				
Current				
General Government	0	0	402,084	(402,084)
Capital outlay	<u>1,452,114</u>	<u>1,452,114</u>	<u>0</u>	<u>1,452,114</u>
Total expenditures	<u>1,452,114</u>	<u>1,452,114</u>	<u>402,084</u>	<u>1,050,030</u>
Excess (deficiency) of revenues over expenditures	<u>1,498</u>	<u>1,498</u>	<u>7,618</u>	<u>6,120</u>
Change in fund balances	\$ <u><u>1,498</u></u>	\$ <u><u>1,498</u></u>	<u>7,618</u>	\$ <u><u>6,120</u></u>
Fund balances (deficits), July 1, 2009			<u>(171,926)</u>	
Fund balances (deficits), June 30, 2010			\$ <u><u>(164,308)</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - USDA GRANTS
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ <u>0</u>	\$ <u>32,251</u>	\$ <u>0</u>	\$ <u>(32,251)</u>
Total revenues	<u>0</u>	<u>32,251</u>	<u>0</u>	<u>(32,251)</u>
Expenditures				
Capital outlay	<u>0</u>	<u>32,251</u>	<u>0</u>	<u>32,251</u>
Total expenditures	<u>0</u>	<u>32,251</u>	<u>0</u>	<u>32,251</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Fund balances (deficits), July 1, 2009			<u>(22,428)</u>	
Fund balances (deficits), June 30, 2010			<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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Capital outlay	<u>72,000</u>	<u>72,000</u>	<u>0</u>	<u>72,000</u>
Total expenditures	<u>72,000</u>	<u>72,000</u>	<u>0</u>	<u>72,000</u>
Excess (deficiency) of revenues over expenditures	<u>(72,000)</u>	<u>(72,000)</u>	<u>0</u>	<u>72,000</u>
Change in fund balances	\$ <u>(72,000)</u>	\$ <u>(72,000)</u>	<u>0</u>	\$ <u>72,000</u>
Fund balances (deficits), July 1, 2009			<u>31,519</u>	
Fund balances (deficits), June 30, 2010			\$ <u>31,519</u>	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ <u>1,639,881</u>	\$ <u>1,639,881</u>	\$ <u>0</u>	\$ <u>(1,639,881)</u>
Total revenues	<u>1,639,881</u>	<u>1,639,881</u>	<u>0</u>	<u>(1,639,881)</u>
Expenditures				
Capital outlay	<u>1,639,941</u>	<u>1,639,941</u>	<u>110,252</u>	<u>1,529,689</u>
Total expenditures	<u>1,639,941</u>	<u>1,639,941</u>	<u>110,252</u>	<u>1,529,689</u>
Excess (deficiency) of revenues over expenditures	<u>(60)</u>	<u>(60)</u>	<u>(110,252)</u>	<u>(110,192)</u>
Change in fund balances	\$ <u><u>(60)</u></u>	\$ <u><u>(60)</u></u>	<u>(110,252)</u>	\$ <u><u>(110,192)</u></u>
Fund balances (deficits), July 1, 2009			<u>(326,179)</u>	
Fund balances (deficits), June 30, 2010			<u>(436,431)</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			(110,252)	
Revenue accruals			0	
Expenditure accruals			<u>(10,332)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)				\$ <u><u>(120,584)</u></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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$4,488,000	\$ 4,488,000	\$ 726,525	\$ (3,761,475)
Total revenues	<u>4,488,000</u>	<u>4,488,000</u>	<u>726,525</u>	<u>(3,761,475)</u>
Expenditures				
General government	0	0	155,371	(155,371)
Public works	1,908,000	1,908,000	571,233	1,336,767
Capital outlay	<u>2,580,000</u>	<u>2,580,000</u>	<u>0</u>	<u>2,580,000</u>
Total expenditures	<u>4,488,000</u>	<u>4,488,000</u>	<u>726,604</u>	<u>3,761,396</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(79)</u>	<u>(79)</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(79)</u>	<u>\$ (79)</u>
Fund balances (deficits), July 1, 2009			<u>(914)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (993)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ <u>341,295</u>	\$ <u>341,295</u>	\$ <u>13,826</u>	\$ <u>(327,469)</u>
Total revenues	<u>341,295</u>	<u>341,295</u>	<u>13,826</u>	<u>(327,469)</u>
Expenditures				
Current				
Public works	0	0	19,830	(19,830)
Capital outlay	<u>341,295</u>	<u>341,295</u>	<u>0</u>	<u>341,295</u>
Total expenditures	<u>341,295</u>	<u>341,295</u>	<u>19,830</u>	<u>321,465</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(6,004)</u>	<u>(6,004)</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(6,004)</u>	<u>\$ (6,004)</u>
Fund balances (deficits), July 1, 2009			<u>2,744</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (3,260)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ <u>6,557</u>	\$ <u>102,057</u>	\$ <u>39,797</u>	\$ <u>(62,260)</u>
Total revenues	<u>6,557</u>	<u>102,057</u>	<u>39,797</u>	<u>(62,260)</u>
Expenditures				
Current				
General government	0	0	35,000	(35,000)
Capital outlay	<u>6,557</u>	<u>102,057</u>	<u>0</u>	<u>102,057</u>
Total expenditures	<u>6,557</u>	<u>102,057</u>	<u>35,000</u>	<u>67,057</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>4,797</u>	<u>4,797</u>
Change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>4,797</u>	<u>\$ 4,797</u>
Fund balances (deficits), July 1, 2009			<u>(22,959)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (18,162)</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - TRUST SERVICE
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Other Income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>75,091</u>	\$ <u>75,091</u>
Total revenues	<u>0</u>	<u>0</u>	<u>75,091</u>	<u>75,091</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>75,091</u>	<u>75,091</u>
Changes in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>75,091</u>	<u>\$ 75,091</u>
Fund balances (deficits), July 1, 2009			<u>0</u>	
Fund balances (deficits), June 30, 2010			<u>75,091</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			75,091	
Revenue accruals			(66,585)	
Expenditure accruals			<u>0</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 8,506</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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Investment income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>132</u>	\$ <u>132</u>
Total revenues	<u>0</u>	<u>0</u>	<u>132</u>	<u>132</u>
Expenditures				
Debt service				
Principal	109,715	109,715	0	109,715
Interest and fiscal charges	<u>3,803</u>	<u>3,803</u>	<u>3,802</u>	<u>1</u>
Total expenditures	<u>113,518</u>	<u>113,518</u>	<u>3,802</u>	<u>109,716</u>
Excess (deficiency) of revenues over expenditures	<u>(113,518)</u>	<u>(113,518)</u>	<u>(3,670)</u>	<u>109,848</u>
Other financing sources (uses)				
Transfers in	<u>113,518</u>	<u>113,518</u>	<u>113,518</u>	<u>0</u>
Total other financing sources (uses)	<u>113,518</u>	<u>113,518</u>	<u>113,518</u>	<u>0</u>
Change in fund balances	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	<u>109,848</u>	\$ <u><u>109,848</u></u>
Fund balances (deficits), July 1, 2009			<u>79,693</u>	
Fund balances (deficits), June 30, 2010			\$ <u><u>189,541</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - NM STATE BOARD OF FIN LOAN
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures:				
Debt service				
Principal	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>
Other financing sources (uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>
Changes in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
Fund balances (deficits), July 1, 2009			<u>0</u>	
Fund balances (deficits), June 30, 2010			<u>\$ 0</u>	

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, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Debt service				
Principal	10,700	10,700	4,375	6,325
Interest and fiscal charges	<u>4,880</u>	<u>4,880</u>	<u>11,200</u>	<u>(6,320)</u>
Total expenditures	<u>15,580</u>	<u>15,580</u>	<u>15,575</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures	<u>(15,580)</u>	<u>(15,580)</u>	<u>(15,575)</u>	<u>5</u>
Other financing sources (uses)				
Transfers in	<u>15,620</u>	<u>15,620</u>	<u>15,583</u>	<u>(37)</u>
Total other financing sources (uses)	<u>15,620</u>	<u>15,620</u>	<u>15,583</u>	<u>(37)</u>
Change in fund balances	<u>\$ 40</u>	<u>\$ 40</u>	8	<u>\$ (32)</u>
Fund balances (deficits), July 1, 2009			<u>(125,000)</u>	
Fund balances (deficits), June 30, 2010			<u>\$ (124,992)</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - UTILITY ASSET MANAGEMENT
FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Operations	<u>75,000</u>	<u>75,000</u>	<u>10,474</u>	<u>64,526</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>10,474</u>	<u>64,526</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(10,474)</u>	<u>64,526</u>
Change in net assets	<u><u>\$ (75,000)</u></u>	<u><u>\$ (75,000)</u></u>	<u><u>(10,474)</u></u>	<u><u>\$ 64,526</u></u>
Net assets, beginning of year			0	
Net Assets, end of year			<u><u>\$ (10,474)</u></u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - SOLID WASTE FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Charges for services	\$ 490,961	\$ 490,961	\$ 571,706	\$ 80,745
Municipal and state shared taxes	<u>212,633</u>	<u>212,633</u>	<u>219,124</u>	<u>6,491</u>
Total revenues	<u>703,594</u>	<u>703,594</u>	<u>790,830</u>	<u>87,236</u>
Expenditures				
Operations	<u>638,943</u>	<u>638,943</u>	<u>586,905</u>	<u>52,038</u>
Total expenditures	<u>638,943</u>	<u>638,943</u>	<u>586,905</u>	<u>52,038</u>
Excess (deficiency) of revenues over expenditures	<u>64,651</u>	<u>64,651</u>	<u>203,925</u>	<u>139,274</u>
Other financing sources (uses)				
Transfers Out	<u>0</u>	<u>0</u>	<u>(2,639)</u>	<u>(2,639)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(2,639)</u>	<u>(2,639)</u>
Change in Net Assets	<u>\$ 64,651</u>	<u>\$ 64,651</u>	<u>201,286</u>	<u>\$ 136,635</u>
Net assets, beginning of year			186,499	
Net Assets, end of year			387,785	
Expenses not budgeted:				
Depreciation			<u>12,044</u>	
Changes in Net Assets as reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets			<u>\$ 189,24</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - WATER AND WASTEWATER FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 1,753,142	\$1,753,142	\$4,032,584	\$ 2,279,442
Municipal and state shared taxes	83,930	83,930	183,564	99,634
Intergovernmental	0	0	112,065	112,065
Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>21,891</u>	<u>20,091</u>
Total revenues	<u>1,838,872</u>	<u>1,838,872</u>	<u>4,350,104</u>	<u>2,511,232</u>
Expenditures				
Operations	<u>1,437,029</u>	<u>1,437,029</u>	<u>2,554,456</u>	<u>(1,117,427)</u>
Total expenditures	<u>1,437,029</u>	<u>1,437,029</u>	<u>2,554,456</u>	<u>(1,117,427)</u>
Excess (deficiency) of revenues over expenditures	<u>401,843</u>	<u>401,843</u>	<u>1,795,648</u>	<u>1,393,805</u>
Other financing sources (uses)				
Transfers in	175,000	175,000	450,317	275,317
Transfers Out	<u>(555,573)</u>	<u>(555,573)</u>	<u>1,886,746)</u>	<u>(1,331,173)</u>
Total other financing sources (uses)	<u>(380,573)</u>	<u>(380,573)</u>	<u>1,436,429)</u>	<u>(1,055,856)</u>
Change in Net Assets	<u>\$ 21,270</u>	<u>\$ 21,270</u>	<u>359,219</u>	<u>\$ 337,949</u>
Net assets, beginning of year			<u>7,261,448</u>	
Net Assets, end of year			<u>7,620,667</u>	
Reconciliation to GAAP Basis:				
Net change in assets			359,219	
Revenue accruals			(82,056)	
Expenditure accruals			41,896	
Depreciation expense			<u>(432,755)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (113,696)</u>	

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>JUDICIAL</u>				
Assets				
Cash and investments	\$ <u>503</u>	\$ <u>11,975</u>	\$ <u>14,711</u>	\$ <u>(2,233)</u>
Total assets	<u>503</u>	<u>11,975</u>	<u>14,711</u>	<u>(2,233)</u>
Liabilities				
Deposits held for others	<u>503</u>	<u>11,975</u>	<u>14,711</u>	<u>(2,233)</u>
Total liabilities	<u>\$ 503</u>	<u>\$ 11,975</u>	<u>\$ 14,711</u>	<u>\$ (2,233)</u>
<u>COURT BOND ACCOUNT</u>				
Assets				
Cash and investments	\$ <u>150,580</u>	\$ <u>264,484</u>	\$ <u>269,819</u>	\$ <u>145,245</u>
Total assets	<u>150,580</u>	<u>264,484</u>	<u>269,819</u>	<u>145,245</u>
Liabilities				
Deposits held for others	<u>150,580</u>	<u>265,747</u>	<u>1,263</u>	<u>415,064</u>
Total liabilities	<u>\$ 150,580</u>	<u>\$ 265,747</u>	<u>\$ 1,263</u>	<u>\$ 415,064</u>
<u>UTILITY ACCOUNT</u>				
Assets				
Cash and investments	\$ <u> </u>	\$ <u>236,271</u>	\$ <u>16,368</u>	\$ <u>219,903</u>
Total assets	<u>0</u>	<u>236,271</u>	<u>16,368</u>	<u>219,903</u>
Liabilities				
Deposits held for others	<u> </u>	<u>236,271</u>	<u>16,038</u>	<u>220,233</u>
Total liabilities	<u>\$ 0</u>	<u>\$ 236,271</u>	<u>\$ 16,038</u>	<u>\$ 220,233</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ <u>151,083</u>	\$ <u>512,730</u>	\$ <u>300,897</u>	\$ <u>362,916</u>
Total assets	<u>151,083</u>	<u>512,730</u>	<u>300,897</u>	<u>362,916</u>
Liabilities				
Deposits held for others	<u>151,083</u>	<u>512,730</u>	<u>300,897</u>	<u>362,916</u>
Total liabilities	<u>\$ 151,083</u>	<u>\$ 512,730</u>	<u>\$ 300,897</u>	<u>\$ 362,916</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2010

Schedule I

	Valley <u>National Bank</u>	Community <u>Bank</u>
Bank Accounts:		
Checking/Demand Accounts	\$ 2,594,914	\$ 2,328
Certificates of deposit	<u>2,771,929</u>	<u> </u>
Total amount of deposits in bank	5,366,843	2,328
Less: FDIC coverage	<u>250,000</u>	<u>2,328</u>
Total uninsured public funds	<u>5,116,843</u>	<u>0</u>
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	2,558,422	
Pledged collateral		
FHLMC FHR 1379 W, matures October 15, 2022, CUSIP 312912JK5	31,937	
FNMA Pool #60591, matures January 1, 2018, CUSIP 31362GKC4	42,137	
FT BEND CO TX MUD #118 CAL, matures September 1, 2017, CUSIP 346816DR9	247,428	
FHR 2630 KU, matures April 1, 2018, CUSIP 31393RQW3	327,387	
University Southn IN Rev, matures September 1, 2022, CUSIP 14891GQ3	528,623	
FNMA Pool #800447, matures October 1, 2034, CUSIP 31405VHY6	571,478	
HAYS CNTY TX WTR CTL & IMPT DIST NO 1, matures September 1, 2023, CUSIP 421032BQ5	384,068	
KERNVILLE CA US SCH DIST CTFS PARN, matures September 1, 2023, CUSIP 492316AT1	163,106	
OROVILLE CA PUB FING AUTH TAS ALLOCATION R, matures June 15, 2023, CUSIP 68723XCP3	240,760	
MONROE CNTY III	328,916	
FHLMC Freddienotes	975,313	
FHLMC Freddienotes	991,944	
Sauk Centre MN	411,681	
LITTLE ELM TX WTRWKS & SWR	<u>238,066</u>	
Total collateral	<u>5,482,844</u>	<u>0</u>
Over / (under) secured	<u>2,924,422</u>	<u>0</u>
Custodial Credit Risk:		
Insured	250,000	
Collateralized with securities held by pledging financial institutions trust department	<u>5,116,843</u>	
Total deposits	<u>\$ 5,366,843</u>	<u>\$ 0</u>

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2010

Schedule II

<u>Bank Account Type / Name</u>	<u>Valley National Bank</u>	<u>Community Bank</u>	<u>Bank of Albuquerque</u>	<u>Total</u>
Checking - General	\$ 809,623	\$	\$	\$ 809,623
Checking - General		2,328		2,328
Checking - Payroll	42,005			42,005
Checking - Bond Account	122,640			122,640
Checking - Families for Each Other	73			73
Checking - Fire/Police Fund Dr	121,345			121,345
Checking - Restricted Account	953,272			953,272
Checking - E-911	545,956			545,956
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 - Waste Water	100,000			100,000
Debt Service Account			428,738	428,738
Debt Service Account			246,388	246,388
Total on deposit	<u>5,366,843</u>	<u>2,328</u>	<u>675,126</u>	<u>6,044,297</u>
Reconciling items	<u>1,912,120</u>			<u>1,912,120</u>
Reconciled balance, June 30, 2010	<u>7,278,963</u>	<u>2,328</u>	<u>675,126</u>	<u>7,956,417</u>
Total deposits and investments	<u>\$ 7,278,963</u>	<u>\$ 2,328</u>	<u>\$ 675,126</u>	<u>\$ 7,956,417</u>

SINGLE AUDIT SECTION

**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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the budgetary comparisons of the general fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Espanola, New Mexico, as of and for the year ended June 30, 2010, which collectively comprise City of Espanola, New Mexico's basic financial statements as listed in the table of contents and have issued our report thereon dated July 09, 2013. We were also engaged to audit the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the proprietary funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. We did not express an opinion on the financial statements because of inadequacy of accounting records. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Espanola, New Mexico, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 05-19, FS 08-01, FS 08-03, FS 08-04, FS 10-03, FS 10-04 and FS 10-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items FS 05-52, FS 09-01 and FS 10-01 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining 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 items FS 00-03, FS 03-01, FS 08-05, FS 08-07 and FS 10-02.

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, the New Mexico Department of Finance and Administration, 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
July 09, 2013

**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 were engaged to audit the compliance of the City of Espanola New Mexico's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Espanola, New Mexico's major federal programs for the year ended June 30, 2010. 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.

The City did not maintain sufficient internal controls in the areas of cash control, investments, journal entries, computer controls and general ledger transactions in order for the auditor to plan and conduct the audit in a sufficient manner to obtain sufficient evidential matter to form an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles. The City's records do not permit the application of other auditing procedures in the areas of cash control, investments, journal entries, computer controls and general ledger transactions. We were not able to obtain sufficient evidence to substantiate the account balances of cash, revenues and expenditures of each major program.

As the City of Espanola did not maintain sufficient internal controls and we were unable to obtain sufficient evidential matter, we were not able to apply other auditing procedures to satisfy ourselves as to the 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, 2010. Therefore, we do not express an opinion on the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010. However the results of our auditing procedures disclosed instances of noncompliance with those requirements that were required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-03-01, FA-10-01 and FA-10-02.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, 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 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 10-01 and FA 10-2 to be material weaknesses.

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

The City of Espanola, New Mexico's responses to the finding 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 response 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, the New Mexico Finance and Administration, 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
July 09, 2013

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Pass- Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct program:		
Community Development Block Grant	14.218	\$ <u>48,628</u>
Total U.S. Department of Housing and Urban Development		<u>48,628</u>
<u>U.S. Department of Justice</u>		
Direct programs:		
Community Capacity Development Office	16.595	166,206
COPs Hiring Recovery Program	16.710	46,578
ARRA-2009 - BJA - JAG	16.803	235,873
Passed through New Mexico Department of Finance and Administration:		
Law Enforcement Technology Grant	16.710	<u>9,858</u>
Total U.S. Department of Justice		<u>458,515</u>
<u>U.S. Department of Transportation</u>		
Passed through New Mexico Department of Finance and Administration:		
ARRA -2009 - Cooperative Project Agreement	20.205	<u>1,250,000</u>
Total U.S. Department of Transportation		<u>1,250,000</u>
<u>Environmental Protection Agency</u>		
Direct program:		
Congressionally Mandated Projects (Wastewater Treatment Facility)	66.202	<u>120,584</u>
Total Environmental Protection Agency		<u>120,584</u>
Total Expenditures of Federal Awards		\$ <u><u>1,877,727</u></u>

See accompanying notes to the schedule.

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 2010 Catalog of Federal Domestic Assistance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,877,727
Total expenditures funded by other sources	<u>15,701,251</u>
Total expenditures	<u><u>\$ 17,578,978</u></u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes None reported

Noncompliance material to the financial statement noted Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Numbers	Name of Federal Program or Cluster
20.205	Co-operative Project Agreement

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee Yes No

**CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS

FS 00-03 Non Compliance - 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>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Governmental Funds:			
Bullet Proof Vest Grant (106)	\$ 1,000	\$ 1,680	\$ (680)
Summer Lunch Program (114)		15,625	(15,625)
Fiesta Council (216)	55,000	67,473	(12,473)
Weed and Seed Grant (105)	112,500	154,881	(42,381)
Capital Project Grant	38,634	68,083	(29,449)
NMFA DWSRF Debt Service (410)	91,159	91,594	(435)
Proprietary Fund:			
Water and wastewater (500, 503, 505, 550)	1,437,029	2,554,456	(1,117,427)

CRITERIA

Section 6-6-6 NMSA 1978 requires when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities and no governing authority or official shall allow or approve claims in excess thereof. Deficit budgeting is not allowed according to 6.20.2.9 NMAC.

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 City does not have a working knowledge of the procedure to enter the final budget numbers into their accounting software. The City did not place emphasis on compliance with budget reporting requirements.

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

The City acknowledges the importance of monitoring the budget to avoid over expenditures. Currently, we monitor our budget to ensure that we do not over expend in any fund. We also process BAR adjustments when prior year cash is needed to meet our needs. The City finance department currently has one vacancy.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 03-01 Non Compliance - Late Audit Report

CONDITION

The City did not submit 2010 annual financial report by the required deadline of December 01, 2010. The Report was submitted by City on July 09, 2013.

CRITERIA

Per 2.2.2.9A (1) NMAC, the City was required to submit its fiscal year 2009-10 annual financial report to the New Mexico State Auditor by December 01, 2010.

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 was unable to submit the June 30, 2010 audit report on a timely basis because the year audit was late, and certain items held up the submission of the 2010 audit report.

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

The City understands the importance of having the audit submitted by the statutory deadline, however due to the timelines for future audits, the City is hopeful to get our backlog of audits in to the State Auditor and be back on track by FY 2014 audit deadline.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 05-19 Material Weakness - Cash Controls and Monitoring

CONDITION

Cash accounts for the City have not been properly reconciled. Though reconciliations were performed for cash accounts, the trial balance and bank reconciliations do not match for the following bank accounts:

<u>Bank</u>	<u>Description</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>	<u>TB Balance</u>
Valley National Bank	General Account	\$ 809,623	\$ 89,381	\$ 1,953,285
Valley National Bank	Payroll clearing Account	42,005	(371)	(9,321)
Valley National Bank	Bond Account	122,640	122,640	174
Bank of Albuquerque	Debt Service Account	428,738	428,738	(105,819)
Bank of Albuquerque	Debt Service Account	246,388	246,388	58,664

For the following bank accounts, the balance per bank statement did not agree with bank confirmation:

<u>Bank</u>	<u>Description</u>	<u>Balance as per Confirmation</u>	<u>Balance as per Statement</u>
Valley National Bank	General Account	\$ 2,273,289	\$ 809,623
Valley National Bank	Payroll clearing Account	25,859	42,005
Community Bank	General Account	328,305	2,328
Valley National Bank	Bond Account	71,378	122,640

Our review of the FY 2009 audited financial statement report and Cash Lead provided by the previous auditor revealed the City had other accounts but no bank statements were provided.

The City did not provide documentation in support for the investment accounts, which amounted to \$1,823,098.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 05-19 Cash Controls and Monitoring (continued)

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. Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico statutes, Section 6-6-3 A NMSA 1978, which require that the City "keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division."

EFFECT

The amounts reported for cash and investments are likely to be 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

I do not agree with the Condition details.

AUDITOR RESPONSE

We do not agree with the agency response because even though, management of the City was presented with the differences in the reconciled balance and the trial balance as indicated in the condition stated above, the management did not provide us with sufficient evidence to resolve the differences between the reconciled balance and the trial balance. The City did not reconcile cash accounts at year end June 30, 2010. The City could not provide details for all bank accounts and investment accounts.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 05-52 Significant Deficiency - Lack of Internal Control over Expenditures

CONDITION

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

- For one out of 60 disbursements selected for testing, with total amount of \$214,610, the City did not maintain supporting documentation to support the payment.
- For four out of 60 disbursements reviewed, with total amount of \$166,992, approval for payment was not documented on the payment voucher.
- For six out of 60 disbursements reviewed, with total amount of \$231,614, invoice and payment voucher were not cancelled or otherwise indicated that an invoice has been paid.
- For one out of 60 disbursements reviewed, with total amount of \$5,480, the purchase order was not retained.
- For two out of 25 subsequent disbursements selected for testing, with total amount of \$8,235, the City did not maintain supporting documentation to support the payment.

CRITERIA

Good internal controls require that there be a formal process for filing or storing documentation of cash disbursements to ensure that information is not misplaced. The procedure of canceling invoices which have been processed for payment is a control to prevent duplicate payment of invoices.

EFFECT

The City is at risk of misstatements to the financial statements.

CAUSE

There is a lack of internal control structure over cash disbursements. Proper internal controls were not implemented to prevent the lost of supporting documentation. The City's purchasing policy is not adequately enforced.

RECOMMENDATION

We recommend all requisition/purchase orders be completed and authorized for all purchases regardless of amount. We also recommend the City provide training to those involved in the processing and approval of expenditure transactions to ensure that those individuals understand the required approval process and the importance of documenting those approvals. Payment vouchers lacking proper approvals and supporting documentation should be rejected until proper authorization and supporting documentation are obtained. The City should exercise more caution with its document retention.

AGENCY RESPONSE

The City is aware of the importance of document control and record retention. We have improved our process to include a post audit of vendor files to ensure our accounts payable file are complete. We now also have a check out process to track files when they are pulled for research or public information requests.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-01 Material weakness - Accounts Receivables Records and Procedures

CONDITION

For utility billings, 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.

CRITERIA

The monitoring and tracking of accounts receivable is essential to the preparation of the City's financial records. Receivable balances should be reconciled and reviewed periodically for unusual activity, collectability, and reasonableness in light of operating activity.

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 accounts ledger to ensure proper reporting of collectible balances and customer deposits.

RECOMMENDATION

Prompt, accurate reconciliations of the accounts receivable subsidiary to the general ledger account balance should be made on a monthly basis, if practical, by someone who has no other duties in the areas of initiating or recording cash transactions. This reconciliation should be submitted for management's review. Management should satisfy itself as to the nature of any unusual reconciling items before authorizing adjustments to correct the balances. These adjustments should be thoroughly documented and promptly made so that it will not be necessary to carry them forward to the next month's reconciliations.

AGENCY RESPONSE

The City agrees that the accounts receivable reconciliation of the detail to the general ledger was not previously done. The City's process now is to reconcile the accounts receivable detail at the end of every month.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-03 Material Weakness - 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.

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

Management of the City of Espanola did not provide written response to the finding.

AUDITOR RESPONSE

Management of the City of Espanola did not maintain sufficient internal controls and/or adequate accounting records. As explained in audit findings in the report, the City did not reconcile cash accounts at year end June 30, 2010 neither did the City record prior auditor's adjusting journal entries as a result of which various accounts have unreconciled opening balances. The City does

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

not have a procedure in place to identify and record accruals at year end. Accordingly, we were unable to obtain sufficient evidence to ensure that all transactions have been recorded. As a result, we were unable to rely on the trial balance provided by the City as a whole.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-04 Material Weakness - 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, and then properly record the applicable year-end accruals.

AGENCY RESPONSE

The City is in the process to develop and formalize standard operating procedures to identify and adjust the trial balance for significant accruals at fiscal year end.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-05 Non Compliance - Insufficient Controls over Payroll

CONDITION

During our review of the City's controls over the payroll process, test performed on 25 randomly selected employees, we noted the following:

- One personnel file cannot be located.
- On two timesheets, the required authorizing signatures were missing.
- In one instance, leave request was not properly authorized.
- For one employee, overtime/compensatory time was not properly authorized.

CRITERIA

NMAC 6.20.2.18 states that local board shall establish a written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal control, close supervision and financial accounting in accordance with GAAP. Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a Form I-9 within 3 days of hire.

EFFECT

The City is not in compliance with New Mexico State Statues as well as the Immigration Reform & Control Act of 1986.

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

The City has a process to review and retain all documents related to Personnel and payroll. The City has improved it's records control process.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-07 Non Compliance - Deficits in Budgeted and Actual Fund Balances

CONDITION

The City's budget process resulted in several budgeted fund balance deficits at June 30, 2010. In addition, a number of the City's funds had actual fund balance deficits at June 30, 2010.

Major Funds:

General Fund	\$ 1,199,371
NMDOT Grant	1,057,726

Non-Major Funds:

Bullet Proof Vest Grant	16,206
Operation Buckle Down	8,620
G.R.E.A.T. Grant	11,691
COPS in Schools Grant	195,822
Operation DWI State Grant	1,018
Transit System Grant	142,755
Summer Lunch Program	45,610
Click It or Ticket	1,018
Wildland Grant	6,622
Law Enforcement Technology Grant	3,433
Roads and Streets	41,645
Firefighters	74,668
Public Safety Grants	113,705
Lodgers' Tax	10,998
U.S. Bureau of Reclamation	38,003
NMDOT Litter Control and Beautification	2,336
2002 Bond Debt Service	101,492
NMFA DWSRF Debt Service	152,979
Plaza Development	10,002
NMLA Capital Improvements Grant	164,308
USDA Grants	22,428
Federal W/WW Project Grant	446,763
NMFA Trust Board	993
State Water Project Grants	3,260
State Agency on Aging Grants	18,162
USDA Loan / Police Department	124,992

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

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 08-07 Non Compliance - Deficits in Budgeted and Actual Fund Balances (Continued)

EFFECT

The City had a deficit in budgeted fund balances in several funds at June 30, 2010. 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

The City is aware that for the great majority of funds listed, the issue is negative cash that should be reclassified as a Due from the General Fund, as the expenditures were paid for by the general fund. Also, a receivable was not set up for the reimbursement due from the grantors. The City is making those adjustments needed to properly reflect grant receivables so that future trial balances will be correct and proper balances reflected.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 09-01 Significant Deficiency - 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

The City has Information Technology Policies that have been adopted by the City Council.

AUDITOR RESPONSE

We do not agree with the agency response because the information technology policy document that the management of the City provided us indicates that the City's adopted policy is effective July 01, 2010.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 10-01 Significant Deficiency - Lack of Internal Control over Travel Expense

CONDITION

In 25 out of 25 travel expenditures tested, check copies were not retained to support the expenditures. For all transactions reviewed related to the use of Fuel cards, no details were provided by the City other than the amount spent. There were no policies and procedures for use of the fuel cards.

CRITERIA

In accordance with the NMAC Mileage and Per Diem Act Section 10-8-1 through 10-8-8, receipts are supposed to accompany the reimbursement packet when employees are reimbursed for actual expenses.

EFFECT

The City may be paying for unallowable expenses. Inconsistent monitoring of compliance with requirements could result in abuse or fraud. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

CAUSE

Employees are turning in fuel receipts that do not have adequate detail and the City is paying fuel card charges without obtaining the corresponding receipts for charges.

RECOMMENDATION

We recommend that the City require fuel card holders to turn in receipts as charges are incurred. In the case of an occasional lost receipt, have the credit card holder sign and date an explanation as to the amount of the charge as well as the purpose of the charge.

AGENCY RESPONSE

The City now retains all check copies for the records with the voucher that it related to. The City will formalize it procedures for the use of fuel cards.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 10-02 Non Compliance –Violation of Open Meeting Act

CONDITION

The City Council meeting minutes for the subsequent period, July to September 2010 was not made available for review to the auditors.

CRITERIA

Auditing standards require auditors to review minutes through the date of the audit report. Council meeting minutes are considered legal documents by auditors, the IRS and courts, and they represent the actions of the governing council. Apart from the legal obligation to take minutes, accurate and concise minutes serve other functions such as creating a history of the organization, telling what was done, when and by whom. Minutes provide evidence in a financial audit and offers evidence in the event of a lawsuit.

EFFECT

The City's Council minutes are not readily available for public inspection. The actions of the City's Council are not fully transparent to the public. Matters that may materially affect the financial statements could not have been identified.

CAUSE

The City Council did not prepare the draft of the minutes during the period July - September 2010.

RECOMMENDATION

We recommend that the City implement administrative procedures to retain board minutes and ensure that minutes are kept and approved by the required timeline.

AGENCY RESPONSE

All public meetings of the City have minutes taken.

AUDITOR RESPONSE

We do not agree with the agency response because management of the City did not provide us with sufficient evidence to show that all public meetings of the city during the period July - September 2010 have minutes taken.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 10-03- Material Weakness - Deficiencies in Internal Control Structure Design, Operation, and Oversight

CONDITION

The City does not have a comprehensive documented internal control structure. The City's internal controls were not operating effectively throughout the audit period. This resulted in accounting records that were not reconciled and the City is not being ready for audit.

The City lacked documentation for insurance and other contracts including insurances policies and applicable proof of payment, controls over bank reconciliation, amortization schedule for loan amount \$9,169,324, schedule of payroll accruals as of June 30, 2010, 941's form for all quarters of the fiscal year under audit.

CRITERIA

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

EFFECT

Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to be followed to proper safeguarding of assets. Adequate controls are not in place to safeguard assets and prevent or detect intentional or unintentional misstatements of accounting information.

CAUSE

For the fiscal year 2010, management did not document internal control policy in place for employees to follow and for management and the board to monitor compliance with.

RECOMMENDATION

The City should update its documented comprehensive internal control structure and ensure that it is followed. Management should maintain a comprehensive list of the City's all documents whether related to federal or non federal throughout the year. Revenues and expenditures of federal funds should be accounted for separately from those of non-federal funds. Management should follow and ensure that all staff follows the City's documented internal control procedures. The body charged with governance should provide effective oversight of the internal control and financial reporting processes.

AGENCY RESPONSE

The City may have had problems in internal controls in the past however the City currently has internal control procedures that are being followed by employees of the City. The problems in the financial accounts that were not reconciled timely were primarily due to finance staff turnover and finance department vacancies that went unfilled for long periods of time. The City is working on staffing the finance department adequately.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 10-04- Material Weakness - PY AJE's not recorded in Trial Balance

CONDITION

The City did not record prior year adjusting journal entries amounting \$449,005(net) in the current year TB provided to us. These Significant Adjusting journal entries were required after the accounting records were closed for the year ended June 30, 2010.

CRITERIA

In accordance with GASB 34, City shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting. A governmental accounting system must make it possible to present fairly and with full disclosure the funds of the governmental unit in conformity with generally accepted accounting principles per NCGAS 1 paragraph 1.

EFFECT

The auditors were not able to rely on the City's trial balance as a whole due to the condition stated above.

CAUSE

The City does not have adequate internal controls designed to provide for the complete preparation of the financial statements and accompanying footnotes under audit.

RECOMMENDATION

We recommend the City implement procedures to review the City trial balance after recording of PY AJE's and reconcile it timely to ensure accuracy. We also recommend the City initiate policies and procedures to ensure that the required adjustments are made to the general ledger on a timely basis.

AGENCY RESPONSE

The City finance department is working diligently to research and enter adjusting journal entries to ensure the account balances are correct. As the City moves forward, the City's general ledger will reflect accurate balances in all accounts.

CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- CONTINUED

FS 10-05- Material Weakness - Allowance for Doubtful Accounts

CONDITION

The City failed to establish an allowance for doubtful accounts in the Water and Wastewater and Solid Waste funds.

CRITERIA

GASB Statement No. 34, 100 states Proprietary Fund revenues should be reported net of allowances with the allowance amount disclosed of the financial statements.

EFFECT

Uncollectible receivable amounts from customers that are not being charged off. 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.

CAUSE

The City personnel were not aware of the aging of the accounts receivable, and therefore had no control over the uncollectible portion of the receivables.

RECOMMENDATION

The City personnel need to establish a policy for determining an allowance for uncollectible receivables.

AGENCY RESPONSE

The City has identified bad debts and has presented it to Council for approval. The finance department now will adjust those individual accounts to reflect a true collectible balance.

**CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS

FA 03-01 Material Weakness - Late Audit Report

Program Name: Cooperative Project Agreement
Questioned Costs: Unknown
CFDA Number: 20.205
Grantor Number: Unavailable
Funding Agency: U.S. Department of Transportation

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. The Reports were submitted by the City on July 09, 2013.

CRITERIA

Section 320(a) Circular A-133, requires that the single audit reporting package and data collection form shall be submitted within the earlier of thirty days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to by the oversight agency.

EFFECT

Due to the late submission of the City's single audit reporting package, the City is not in compliance with OMB Circular A-133 report submission requirements.

CAUSE

The City has had significant turnover in key management and financial positions.

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

The City understands the importance of having the audit submitted by the statutory deadline, however due to the timelines for future audits, the City is hopeful to get our backlog of audits in to the State Auditor and be back on track by FY 2014 audit deadline.

**CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS-
CONTINUED**

FA 10-01 Material Weakness - Suspension and Debarment

Program Name: Cooperative Project Agreement- ARRA
Questioned Costs: Unknown
CFDA Number: 20.205
Grantor Number: Unavailable
Funding Agency: U.S. Department of Transportation

CONDITION

The City could not provide any support for Debarment and Suspension.

CRITERIA

According to CFR 180 entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction that are expected to equal or exceed \$25,000.

EFFECT

The City was not in compliance with the compliance requirement of CFR.

CAUSE

Unknown.

RECOMMENDATION

The City should ensure that any vendors used for purchases made with federal funds in excess of \$25,000 have not been suspended or debarred

AGENCY RESPONSE

The City will amend its process to take a print screen of the vendor's on the suspended and debarred list and document whether the vendors are listed or not and include this documentation in the federal grant files.

**CITY OF ESPANOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS-
CONTINUED**

FA 10-02 Material Weakness - Schedule of Expenditures of Federal Awards (SEFA)

Program Name: Cooperative Project Agreement- ARRA
Questioned Costs: Undeterminable
CFDA Number: 20.205
Grantor Number: Unavailable
Funding Agency: U.S. Department of Transportation

CONDITION

The City does not have proper processes in place to ensure that federal funds are properly tracked and recorded to achieve an accurate SEFA. The City lacks internal controls over the preparation of SEFA. The accompanying SEFA schedule has been derived from the trial balance by the auditors. Since, we were unable to rely on the trial balance provided by the City as a whole, an accurate SEFA could not be compiled from the underlying accounting records.

CRITERIA

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards.

EFFECT

Without proper grant awards reported on the SEFA, it is impossible to know if grant records are correct and whether awards are being spent in accordance with grant agreements, which may lead to the City over-expending grant funds and incurring expenditures that may not be reimbursed by grantor agencies.

CAUSE

An accurate SEFA was not produced due to repeated turnover in key management at the City during the fiscal year. The turnover of management caused a lack of communication and structure in regards to the amount of funds awarded and expended for the current year.

RECOMMENDATION

The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes the periodic review of financial reports, which includes establishing procedures to identify federal, state, and other awards.

AGENCY RESPONSE

The City will establish an internal control structure that will ensure that grant awards are easily identifiable and the information readily available for SEFA preparation for future fiscal audits.

CITY OF ESPANOLA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED June 30, 2010

FS 00-03	Exceeded Budget Authority - Repeated & Modified - See finding FS 00-03
FS 03-01	Late Audit report - Repeated - See finding FS 03-01
FS 05-01	Insufficient Capital Asset Support - Resolved
FS 05-03	Violation of City's Procurement Policies - Resolved
FS 05-19	Cash Controls and Monitoring - Repeated & Modified - See finding FS 05-19
FS 05-21	Missing Housing Assistance Fund Accounting Records - Removed
FS 05-52	Incomplete Records - Repeated & Modified - See finding 05-52
FS 08-01	Accounts Receivables Records and Procedures - Repeated- See finding FS 08-01
FS 08-02	Approval of Adjusting Journal Entries - Resolved
FS 08-03	Insufficient Control over the Financial Statement Process - Repeated & Modified - See finding FS 08-03
FS 08-04	Year end Cutoff - Repeated - See finding FS 08-04
FS 08-05	Insufficient control over Payroll and Fraud related Item - Repeated & Modified - See finding FS 08-05
FS 08-06	Purchasing Card Transactions - Resolved
FS 08-07	Deficits in Budgeted and Actual Fund Balances - Repeated - See finding FS 08-07
FS 08-08	Incorrect Travel Expense Reimbursements - Resolved
FS 09-01	Lack of formal Information Technology Policies - Repeated & Modified - See finding FS 09-01
FA 03-01	Late Audit Report - Repeated- See finding FA 03-01
FA 05-25	Insufficient Controls over the Federal Section 8 Housing Choice Vouchers Grant- Removed
FA 05-43	Insufficient Capital Asset Support for the Public and Indian Housing Program- Removed
FA 08-01	Insufficient Controls over the Federal Public and Indian Housing Grant - Removed
FA 08-02	Missing Housing Assistance Federal Financial Records - Removed

**CITY OF ESPANOLA, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENT PREPARATION

These financial statements were prepared by Harshwal & Company LLP from the original books and records of the CITY OF ESPANOLA, NEW MEXICO.

An exit conference was conducted on July 09, 2013, in a closed meeting, in which the contents of this report were discussed with the following:

City of Espanola

Alice Lucero, Mayor
Tessa Jo Mascarenas, City Clerk
Joyce Sandoval , ASD

Harshwal & Company LLP.

Sanwar Harshwal, Managing Partner