

CITY OF ESPANOLA, NEW MEXICO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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

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CITY OF ESPANOLA, NEW MEXICO
OFFICIAL ROSTER
JUNE 30, 2011

City Government

Alice Lucero Mayor	Maria (Cecilia) Lujan District 3 Councilor
Dennis Tim Salazar Mayor Pro-Tem/District 1 Councilor	Greg Ortega Councilor
Pedro Valdez District 1 Councilor	Cory J. Lewis District 4 Councilor
Rosario Garcia Councilor	Robert J. Seeds District 4 Councilor
Helen Kain Salazar 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, 2011**

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
Honourable 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 Espanola, New Mexico (City), as of and for the year ended June 30, 2011, 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, fiduciary funds and the budgetary comparisons for the major capital project funds, major debt service funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the 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 could not provide the June 2011 bank statements and reconciliation for all of its cash accounts. With regards to management overrides to cash 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 08-04, the City does not have a procedure in place to identify and record accruals at year end. As explained in finding FS 10-04, the City did not record prior auditor's adjusting journal entries which resulted to accounts that have unreconciled opening balances. As explained in FS 11-03 the City does not have adequate procedures in place in order to provide accurate capital assets schedules required for financial reporting purposes. The City also did not calculate depreciation expense for fiscal year 2010-11. The amounts reported in the financial statements are estimated. As further explained in finding FS 11-05, numerous unsubstantiated journal entries related to account payable and accrued liabilities were made to the fund balance accounts to many of the active funds. The entries had no support and affected accounts throughout the fund's trial balance. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the major capital project fund, major debt service funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 09, 2014, 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 City's basic financial statements, combining and individual fund financial statements, and 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 State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. Because of the significance of the matters described above, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether these schedules or the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements and the remaining non major governmental fund financial statements.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
July 09, 2014

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,376,835	\$ 2,088,469	\$ 8,465,304
Accounts receivable	993,076	574,796	1,567,872
Total current assets	7,369,911	2,663,265	10,033,176
Noncurrent assets:			
Land	3,604,879	232,040	3,836,919
Land improvements		1,611,771	1,611,771
Infrastructure		11,083,306	11,083,306
Buildings and improvements	21,727,077		21,727,077
Vehicles, furniture and equipment	6,878,806	4,534,713	11,413,519
Accumulated depreciation	(26,056,452)	(10,994,334)	(37,050,786)
Total noncurrent assets	6,154,310	6,467,496	12,621,806
Total assets	13,524,221	9,130,761	22,654,982
LIABILITIES			
Current liabilities:			
Account payable	480,011	1,240,464	1,720,475
Accrued payroll	491,836		491,836
Accrued interest payable	328,980	82,056	411,036
Deferred revenue	180,940		180,940
Internal balances	3,158,907	(2,858,907)	300,000
Deposits payable	3,309		3,309
Loans payable due in one year	874,227	245,214	1,119,441
Revenue bonds payable due in one year	160,000		160,000
Compensated absences payable	421,133	81,044	502,177
Total current liabilities	6,099,343	(1,210,129)	4,889,214
Noncurrent liabilities:			
Compensated absences payable	140,377		140,377
Loans payable	14,246,489	2,391,154	16,637,643
Revenue bonds payable	2,135,000		2,135,000
Landfill closure and postclosure costs		627,138	627,138
Total non-current liabilities	16,521,866	3,018,292	19,540,158
Total liabilities	22,621,209	1,808,163	24,429,372
NET ASSETS			
Invested in capital assets, net of related debt	(11,261,406)	3,831,128	(7,430,278)
Restricted for:			
Special Revenue Funds	1,322,600		1,322,600
Capital Project Funds	3,964,232		3,964,232
Debt Service Funds	4,709,894		4,709,894
Unrestricted	(7,832,308)	3,491,470	(4,340,838)
Total net assets	\$ (9,096,988)	\$ 7,322,598	\$ (1,774,390)

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, 2011**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 4,351,980	\$ 699,567	\$ 3,877	\$ 2,400,762
Public safety	6,344,010	117,459	878,724	
Public works	1,018,657	117,056	436,552	450,221
Culture and recreation	936,861	13,580	128,092	
Interest on long-term debt	<u>701,127</u>			
Total governmental activities	<u>13,352,635</u>	<u>947,662</u>	<u>1,447,245</u>	<u>2,850,983</u>
Business-type Activities:				
Water and wastewater	3,575,383	4,370,566		
Utility assets management	38,595			
Solid waste	<u>837,728</u>	<u>600,730</u>		
Total business-type activities	<u>4,451,706</u>	<u>4,971,296</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 17,804,341</u>	<u>\$ 5,918,958</u>	<u>\$ 1,447,245</u>	<u>\$ 2,850,983</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				
Restatement				
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, 2011

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	\$ (1,247,774)	\$	\$ (1,247,774)
Public safety	(5,347,827)		(5,347,827)
Public works	(14,828)		(14,828)
Culture and recreation	(795,189)		(795,189)
Interest on long-term debt	(701,127)		(701,127)
Total governmental activities	(8,106,745)	0	(8,106,745)
Business-type Activities:			
Water and wastewater		795,183	795,183
Utility assets management		(38,595)	(38,595)
Solid waste		(236,998)	(236,998)
Total business-type activities	0	519,590	519,590
Total primary government	(8,106,745)	519,590	(7,587,155)
General Revenues			
Taxes:			
Municipal and state shared taxes	9,141,287	392,617	9,533,904
Property taxes	536,659		536,659
Intergovernmental		58,991	58,991
Franchise taxes	299,489		299,489
Investment income	64,363		64,363
Other revenue	38,074	39,875	77,949
Transfers	1,459,494	(1,459,494)	
Total general revenues and transfers	11,539,366	(968,011)	10,571,355
Change in net assets	3,432,621	(448,421)	2,984,200
Net assets, beginning	(15,175,815)	7,513,019	(7,662,796)
Restatement	2,646,206	258,000	2,904,206
Net assets beginning, restated	(12,529,609)	7,771,019	(4,758,590)
Net assets, ending	\$ (9,096,988)	\$ 7,322,598	\$ (1,774,390)

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, 2011

Exhibit B-1

	General Fund	Infrastructure Projects	2002 Bond Debt Service	NMFA WWW Debt Service
ASSETS				
Cash and investments	\$ 300,074	\$ 629,523	\$ 540,758	\$ 695,805
Accounts receivable	991,468			
Due from other funds	298	2,500,000	1,273,466	
Total assets	1,291,840	3,129,523	1,814,224	695,805
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	479,376			
Accrued payroll	491,836			
Due to other funds	2,959,067	66,688	1,598,054	1,641,621
Deferred revenue	180,940			
Deposits payable	3,309			
Total liabilities	4,114,528	66,688	1,598,054	1,641,621
FUND BALANCE (DEFICITS)				
Restricted for:				
Special revenue funds				
Capital projects funds		3,062,835		
Debt service funds			216,170	
Unassigned reported in:				
General fund	(2,822,688)			
Special revenue funds				
Capital projects funds				
Debt service funds				(945,816)
Total fund balances	(2,822,688)	3,062,835	216,170	(945,816)
Total liabilities and fund balances	\$ 1,291,840	\$ 3,129,523	\$ 1,814,224	\$ 695,805

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

CITY OF ESPANOLA, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit B-1

	<u>NMFA PPR Equipment Project Loan</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 433,177	\$ 3,777,498	\$ 6,376,835
Accounts receivable		1,608	993,076
Due from other funds	<u>1,347,436</u>	<u>1,887,130</u>	<u>7,008,330</u>
Total assets	<u>1,780,613</u>	<u>5,666,236</u>	<u>14,378,241</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable		635	480,011
Accrued payroll			491,836
Due to other funds		3,901,807	10,167,237
Deferred revenue			180,940
Deposits payable			<u>3,309</u>
Total liabilities	<u>0</u>	<u>3,902,442</u>	<u>11,323,333</u>
FUND BALANCE (DEFICITS)			
Restricted for:			
Special revenue funds		1,322,600	1,322,600
Capital projects funds		901,397	3,964,232
Debt service funds	1,780,613	2,713,111	4,709,894
Unassigned reported in:			
General fund			(2,822,688)
Special revenue funds		(644,051)	(644,051)
Capital projects funds		(1,708,148)	(1,708,148)
Debt service funds		<u>(821,115)</u>	<u>(1,766,931)</u>
Total fund balances	<u>1,780,613</u>	<u>1,763,794</u>	<u>3,054,908</u>
Total liabilities and fund balances	<u>\$ 1,780,613</u>	<u>\$ 5,666,236</u>	<u>\$ 14,378,241</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, 2011

Total governmental fund balances		\$ 3,054,908
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	32,210,762	
Less: accumulated depreciation	<u>(26,056,452)</u>	6,154,310
Accrued interest payable		(328,980)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Loans payable	(15,120,716)	
Bonds payable	(2,295,000)	
Compensated absences payable	<u>(561,510)</u>	<u>(17,977,226)</u>
Net assets of governmental activities		\$ <u>(9,096,988)</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, 2011

	General Fund	Infrastructure Projects	2002 Bond Debt Service	NMFA WWW Debt Service
Revenues				
Property taxes	\$ 536,659	\$	\$	\$
Municipal and state shared taxes	6,776,590	1,146,835		
Intergovernmental	35,262			
Charges for services	134,652			
Licenses and permits	92,235			
Fines and forfeits	391,924			
Franchise taxes	299,489			
Contributions and donations	2,645			
Investment income	58,637		1,607	803
Other revenues	35,471			
	<u>8,363,564</u>	<u>1,146,835</u>	<u>1,607</u>	<u>803</u>
<i>Total revenues</i>				
Expenditures				
Current:				
General government	3,266,881	100,687		
Public safety	4,747,212			
Public works	436,518			
Culture and recreation	782,590			
Capital outlay	80,861	111,283		
Debt service:				
Principal			350,000	1,037,202
Interest and fiscal charges	1,041		365,838	38,390
	<u>9,315,103</u>	<u>211,970</u>	<u>715,838</u>	<u>1,075,592</u>
<i>Total expenditures</i>				
Excess (deficiency) of revenues over expenditures	<u>(951,539)</u>	<u>934,865</u>	<u>(714,231)</u>	<u>(1,074,789)</u>
Other financing sources (uses)				
Transfers In	824,795		1,031,893	91,781
Transfers out	(859,165)	(553,889)		
Debt proceeds				
	<u>(34,370)</u>	<u>(553,889)</u>	<u>1,031,893</u>	<u>91,781</u>
<i>Total other financing sources (uses)</i>				
Change in fund balances	<u>(985,909)</u>	<u>380,976</u>	<u>317,662</u>	<u>(983,008)</u>
Fund balances (deficits), beginning of year	(1,199,371)	2,681,859	(101,492)	37,192
Restatement	(637,408)	0	0	0
Fund balances beginning of year, restated	<u>(1,836,779)</u>	<u>2,681,859</u>	<u>(101,492)</u>	<u>37,192</u>
Fund balances (deficits), end of year	<u>\$ (2,822,688)</u>	<u>\$ 3,062,835</u>	<u>\$ 216,170</u>	<u>\$ (945,816)</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, 2011

	NMFA PPR Equipment Project Loan	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$	\$	\$ 536,659
Municipal and state shared taxes		1,401,055	9,324,480
Intergovernmental		4,213,288	4,248,550
Charges for services		187,555	322,207
Licenses and permits		680	92,915
Fines and forfeits			391,924
Franchise taxes			299,489
Contributions and donations		3,383	6,028
Investment income	75	3,240	64,362
Other revenues		3,677	39,148
<i>Total revenues</i>	<u>75</u>	<u>5,812,878</u>	<u>15,325,762</u>
Expenditures			
Current:			
General government		728,326	4,095,894
Public safety		1,501,162	6,248,374
Public works		546,221	982,739
Culture and recreation		105,888	888,478
Capital outlay		2,663,950	2,856,094
Debt service:			
Principal	179,649	928,057	2,494,908
Interest and fiscal charges	<u>75,858</u>	<u>216,616</u>	<u>697,743</u>
<i>Total expenditures</i>	<u>255,507</u>	<u>6,690,220</u>	<u>18,264,230</u>
Excess (deficiency) of revenues over expenditures	<u>(255,432)</u>	<u>(877,342)</u>	<u>(2,938,468)</u>
Other financing sources (uses)			
Transfers In	45,407	979,837	2,973,713
Transfers out		(101,165)	(1,514,219)
Debt proceeds	<u>1,801,097</u>		<u>1,801,097</u>
<i>Total other financing sources (uses)</i>	<u>1,846,504</u>	<u>878,672</u>	<u>3,260,591</u>
Change in fund balances	<u>1,591,072</u>	<u>1,330</u>	<u>322,123</u>
Fund balances (deficits), beginning of year	189,541	1,762,464	3,370,193
Restatement	<u>0</u>	<u>0</u>	<u>(637,408)</u>
Fund balances beginning of year, restated	<u>189,541</u>	<u>1,762,464</u>	<u>2,732,785</u>
Fund balances (deficits), end of year	<u>\$ 1,780,613</u>	<u>\$ 1,763,794</u>	<u>\$ 3,054,908</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, 2011

Net changes in fund balances - total governmental funds	\$ 322,123
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	
Capital expenditures recorded in capital outlay	2,856,094
Depreciation expense	(331,365)
Repayment of loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,494,908
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.	(104,658)
Proceed from the issuance of bonds	(1,801,097)
Increase in accrued interest	<u>(3,384)</u>
Change in net assets in governmental activities	<u>\$ 3,432,621</u>

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

CITY OF ESPANOLA, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Property Tax	\$ 507,508	\$ 507,508	\$ 526,317	\$ 18,809
Municipal and state shared taxes	7,521,000	7,521,000	6,893,760	(627,240)
Intergovernmental	35,000	35,000	35,000	
Charges for services	120,100	120,100	112,869	(7,231)
Licenses and permits	101,269	101,269	78,090	(23,179)
Fines and forfeits	277,800	281,800	391,924	110,124
Franchise fees	408,000	408,000	296,483	(111,517)
Investment income	125,000	125,000	31,437	(93,563)
Other revenues	<u>152,700</u>	<u>171,840</u>	<u>198,407</u>	<u>26,567</u>
<i>Total revenues</i>	<u>9,248,377</u>	<u>9,271,517</u>	<u>8,564,287</u>	<u>(707,230)</u>
Expenditures				
Current:				
General government	4,393,204	3,902,508	4,086,850	(184,342)
Public safety	4,345,882	4,193,988	4,016,363	177,625
Public works	389,803	391,191	394,236	(3,045)
Culture and recreation	<u>711,119</u>	<u>673,763</u>	<u>661,236</u>	<u>12,527</u>
<i>Total expenditures</i>	<u>9,840,008</u>	<u>9,161,450</u>	<u>9,158,685</u>	<u>2,765</u>
Excess (deficiency) of revenues over expenditures	<u>(591,631)</u>	<u>110,067</u>	<u>(594,398)</u>	<u>(704,465)</u>
Other financing sources (uses)				
Transfers in	484,795	484,795	484,795	
Transfers out	<u>(519,165)</u>	<u>(519,165)</u>	<u>(519,165)</u>	
<i>Total other financing sources (uses)</i>	<u>(34,370)</u>	<u>(34,370)</u>	<u>(34,370)</u>	<u>0</u>
Net Change in fund balances	(626,001)	75,697	(628,768)	(704,465)
Fund balances (deficits), July 01, 2010	<u>4,598,318</u>	<u>3,707,294</u>	<u>(1,178,865)</u>	<u>(4,886,159)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 3,972,317</u>	<u>\$ 3,782,991</u>	<u>(1,807,633)</u>	<u>\$ (5,590,624)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			(628,768)	
Revenue accruals			139,277	
Expenditure accruals			<u>(496,418)</u>	
Net change in fund balances GAAP basis			<u>\$ (985,909)</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, 2011**

Exhibit C-1

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
ASSETS				
Current assets:				
Cash and investments	\$ 1,409,919	\$	\$ 678,550	\$ 2,088,469
Accounts receivable	461,581		113,215	574,796
Due from other funds	<u>1,615,344</u>		<u>1,292,632</u>	<u>2,907,976</u>
Total current assets	<u>3,486,844</u>	<u>0</u>	<u>2,084,397</u>	<u>5,571,241</u>
Noncurrent assets:				
Land	232,040			232,040
Land improvements	1,611,771			1,611,771
Infrastructure	11,083,306			11,083,306
Vehicles, furniture and equipment	4,175,616		359,097	4,534,713
Accumulated depreciation	<u>(10,720,732)</u>		<u>(273,602)</u>	<u>(10,994,334)</u>
Total noncurrent assets	<u>6,382,001</u>	<u>0</u>	<u>85,495</u>	<u>6,467,496</u>
Total assets	<u>9,868,845</u>	<u>0</u>	<u>2,169,892</u>	<u>12,038,737</u>
LIABILITIES				
Current liabilities:				
Accounts payable			1,240,464	1,240,464
Compensated absences payable	81,044			81,044
Loans payable due in one year	245,214			245,214
Accrued interest payable	82,056			82,056
Due to other funds		<u>49,069</u>		<u>49,069</u>
Total current liabilities	<u>408,314</u>	<u>49,069</u>	<u>1,240,464</u>	<u>1,697,847</u>
Noncurrent liabilities:				
Loans payable	2,391,154			2,391,154
Landfill closure and postclosure costs			<u>627,138</u>	<u>627,138</u>
Total non-current liabilities	<u>2,391,154</u>	<u>0</u>	<u>627,138</u>	<u>3,018,292</u>
Total liabilities	<u>2,799,468</u>	<u>49,069</u>	<u>1,867,602</u>	<u>4,716,139</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,745,633		85,495	3,831,128
Unrestricted	<u>3,323,744</u>	<u>(49,069)</u>	<u>216,795</u>	<u>3,491,470</u>
Total net assets	<u>\$ 7,069,377</u>	<u>\$ (49,069)</u>	<u>\$ 302,290</u>	<u>\$ 7,322,598</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit C-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
Operating revenues:				
Charges for services	\$ 4,370,566	\$	\$ 600,730	\$ 4,971,296
Other revenue	<u>39,874</u>	<u> </u>	<u> </u>	<u>39,874</u>
Total operating revenues	<u>4,410,440</u>	<u> 0</u>	<u>600,730</u>	<u>5,011,170</u>
Operating expenses:				
Payroll and benefits	1,378,612			1,378,612
Supplies and services	1,759,008	38,595	828,556	2,626,159
Depreciation	<u>436,828</u>	<u> </u>	<u>9,172</u>	<u>446,000</u>
Total operating expenses	<u>3,574,448</u>	<u>38,595</u>	<u>837,728</u>	<u>4,450,771</u>
Operating income (loss)	<u>835,992</u>	<u>(38,595)</u>	<u>(236,998)</u>	<u>560,399</u>
Non-Operating revenues (expenses):				
Municipal and state shared taxes	197,408		195,209	392,617
Intergovernmental	58,991			58,991
Interest expenses	<u>(934)</u>	<u> </u>	<u> </u>	<u>(934)</u>
Total non-operating revenues (expenses)	<u>255,465</u>	<u> 0</u>	<u>195,209</u>	<u>450,674</u>
Income (loss) before capital contributions and transfers	<u>1,091,457</u>	<u>(38,595)</u>	<u>(41,789)</u>	<u>1,011,073</u>
Transfers in	470,800			470,800
Transfers out	<u>(1,898,632)</u>	<u> </u>	<u>(31,662)</u>	<u>(1,930,294)</u>
Total Transfers in (out)	<u>(1,427,832)</u>	<u> 0</u>	<u>(31,662)</u>	<u>(1,459,494)</u>
Change in net assets	<u>(336,375)</u>	<u>(38,595)</u>	<u>(73,451)</u>	<u>(448,421)</u>
Net assets, beginning of year	7,147,752	(10,474)	375,741	7,513,019
Restatement	<u>258,000</u>	<u> 0</u>	<u> 0</u>	<u>258,000</u>
Net assets beginning of year, restated	<u>7,405,752</u>	<u>(10,474)</u>	<u>375,741</u>	<u>7,771,019</u>
Net assets, end of year	<u>\$ 7,069,377</u>	<u>\$ (49,069)</u>	<u>\$ 302,290</u>	<u>\$ 7,322,598</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, 2011

	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	\$ 4,631,607	\$ 38,595	\$ (120,133)	\$ 4,550,069
Cash payments to suppliers for goods and services	(1,759,008)	(38,595)	(656,114)	(2,453,717)
Cash payments to employees for services	(1,430,800)	_____	_____	(1,430,800)
Net cash provided by (used) operating activities	1,441,799	0	(776,247)	665,552
Cash flows from noncapital and related financing activities:				
Intergovernmental revenues	58,990		195,209	254,199
Municipal and state shared taxes	197,408			197,408
Net operating transfers	(1,427,832)	_____	(31,662)	(1,459,494)
Net cash provided by (used for) noncapital financing activities	(1,171,434)	0	163,547	(1,007,887)
Cash flows from capital and related financing activities:				
Proceeds on long-term debt (due to restatement)	258,000			258,000
Principal paid on long-term debt	(246,296)			(246,296)
Interest paid on long-term debt	(934)			(934)
Purchase of capital assets	(39,346)	_____	_____	(39,346)
Net cash used for capital and related financing activities	(28,576)	0	0	(28,576)
Net decrease in cash and cash equivalents	241,789	0	(612,700)	(370,911)
Cash and cash equivalents, July 01, 2010	910,130	0	1,291,250	2,201,380
Restatement	258,000	0	0	258,000
Cash and cash equivalents, July 01, 2010, Restated	1,168,130	0	1,291,250	2,459,380
Cash and cash equivalents, June 30, 2011	\$ 1,409,919	\$ 0	\$ 678,550	\$ 2,088,469
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 835,992	\$ (38,595)	\$ (236,998)	\$ 560,399
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	436,828		9,172	446,000
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	1,025,503		129,620	1,155,123
(Increase) decrease in accounts payable			172,442	172,442
(Increase) decrease in accrued payroll	(31,040)			(31,040)
Increase (decrease) in compensated absences payable	(21,148)			(21,148)
Increase (decrease) in internal receivable and payable	(804,336)	38,595	(850,483)	(1,616,224)
Total adjustments	605,807	38,595	(539,249)	105,153
Net cash provided by (used for) operating activities	\$ 1,441,799	\$ 0	\$ (776,247)	\$ 665,552

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, 2011

Exhibit D-1

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ <u>361,212</u>
Total assets	<u>361,212</u>
LIABILITIES	
Deposits held for others	<u>361,212</u>
Total liabilities	<u>\$ 361,212</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, 2011

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, 2011

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, 2011

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

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

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

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

NMFA WWW Debt Service – To account for matching funds for the surface water project.

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

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, 2011

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 uncollectible.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

F. Receivables and Payables (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, 2011

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

J. Fund Balances and Net Assets (Cont'd)

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011**

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

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:			
DWI Program Enforcement	\$	\$ 28,862	\$ (28,862)
Proprietary Funds:			
Solid Waste	638,943	686,951	(48,008)

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

Major Funds:	
General Fund	\$ 2,822,688
NMFA WWW Debt Service	945,816
Non-Major Funds:	
Bullet Proof Vest Grant	16,206
Operation Buckle Down	12,961
G.R.E.A.T. Grant	11,691
COPS in Schools Grant	214,183
Operation DWI State Grant	684
Transit System Grant	142,464
Summer Lunch Program Grant	45,610
Click It or Ticket	903
Wildland Grant	6,622
Law Enforcement Technology Grant	14,055
Firefighters	74,668
DWI Program Enforcement	20,462
Public Safety Grants	24,655
E-911 Grant	5,454
Lodgers' Tax	10,663
U.S. Bureau of Reclamation	38,003
NM DOT Litter Control and Beautification	4,767
NM DOT Grant	646,350
NMFA DWSRF Debt Service	711,704
USDA Loan / Police Department	109,411
Plaza Development	24,311
NMLA Capital Improvements Grant	215,634
USDA Grants	22,428
Capital Projects Esp 8	36,657
Federal W/WW Project Grant	336,511
NMFA Trust Board	417,300
State Agency on Aging Grants	8,957

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

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the City’s deposits was \$6,466,018 and the bank balance was \$5,250,273. The difference represents outstanding checks, deposits, other reconciling and unreconciling 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, \$4,996,995 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:

	Valley <u>National Bank</u>	Community <u>Bank</u>	<u>Total</u>
Bank Accounts:			
Deposits in the bank	\$ 5,246,995	\$ 3,278	\$ 5,250,273
Less: FDIC coverage	<u>250,000</u>	<u>3,278</u>	<u>253,278</u>
Total uninsured public funds	<u>4,996,995</u>	<u>0</u>	<u>4,996,995</u>
Pledged collateral requirements- 50% of uninsured time and demand accounts	2,498,498		2,498,498
Less: Pledged collateral	<u>6,552,512</u>	<u> </u>	<u>6,552,512</u>
Over / (under) secured	<u>\$ 4,054,014</u>	<u>\$ 0</u>	<u>\$ 4,054,014</u>

Reconciliation of Cash and Investments:

Carrying amounts by fund per financial statement at June 30, 2011 is:

Cash and Investments per Exhibit A-1	\$ 8,465,304
Cash and Investments per Exhibit D-1	361,212
Less: Investments	(2,360,498)
Add: outstanding checks, Deposits in transit and other reconciling items	147,577
Unreconciled items	<u>(1,363,322)</u>
Total Deposits in the bank	<u>\$ 5,250,273</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS (Cont'd)

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

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Espanola NM Muni Grt Ds Resvr	\$ 375,417	\$ 375,417
Espanola NM Muni Grt Ds Acct	53,753	53,753
Espanola NM Muni Infr Income FD	161,186	161,186
State Treasurer's Investment Pool	<u>1,770,142</u>	<u>1,770,142</u>
Total	<u>\$ 2,360,498</u>	<u>\$ 2,360,498</u>

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.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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	\$ <u>3,412,879</u>	\$ <u>192,000</u>	\$ <u>3,604,879</u>
Total capital assets, not being depreciated	<u>3,412,879</u>	<u>192,000</u>	<u>3,604,879</u>
Capital assets, being depreciated:			
Buildings and improvements	19,400,283	2,326,794	21,727,077
Vehicles, furniture and equipment	<u>6,541,506</u>	<u>337,300</u>	<u>6,878,806</u>
Total capital assets being depreciated	<u>25,941,789</u>	<u>2,664,094</u>	<u>28,605,883</u>
Less accumulated depreciation for:			
Buildings and improvements	(19,400,283)	(77,560)	(19,477,843)
Vehicles, furniture and equipment	<u>(6,324,804)</u>	<u>(253,805)</u>	<u>(6,578,609)</u>
Total accumulated depreciation	<u>(25,725,087)</u>	<u>(331,365)</u>	<u>(26,056,452)</u>
Total capital assets, being depreciated, net	<u>216,702</u>	<u>2,332,729</u>	<u>2,549,431</u>
Governmental activities capital assets, net	<u>\$ 3,629,581</u>	<u>\$ 2,524,729</u>	<u>\$ 6,154,310</u>
<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	22,902	11,083,306
Vehicles, furniture and equipment	<u>4,518,269</u>	<u>16,444</u>	<u>4,534,713</u>
Total capital assets being depreciated	<u>17,190,444</u>	<u>39,346</u>	<u>17,229,790</u>
Less accumulated depreciation for:			
Land improvements	(975,655)	(55,295)	(1,030,950)
Infrastructure	(5,809,483)	(112,274)	(5,921,757)
Vehicles, furniture and equipment	<u>(3,763,196)</u>	<u>(278,431)</u>	<u>(4,041,627)</u>
Total accumulated depreciation	<u>(10,548,334)</u>	<u>(446,000)</u>	<u>(10,994,334)</u>
Total capital assets, being depreciated, net	<u>6,642,110</u>	<u>(406,654)</u>	<u>6,235,456</u>
Business activities capital assets, net	<u>\$ 6,874,150</u>	<u>\$ (406,654)</u>	<u>\$ 6,467,496</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE-4 - CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 151,428
Public safety	95,636
Public works	35,918
Culture and recreation	<u>48,383</u>
Total depreciation expense – governmental activities	<u>\$ 331,365</u>
Business-Type Activities:	
Water and wastewater	\$ 436,828
Solid waste	<u>9,172</u>
Total depreciation expense – business-type activities	<u>\$ 446,000</u>

NOTE 5 – LONG TERM DEBT

During the year ended June 30, 2011, the following changes occurred in the long term liabilities reported in the government-wide statement of net assets:

	<u>Beginning</u> <u>Balance</u>	<u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:						
Loans payable	\$ 19,318,141	\$ (3,283,614)	\$ 1,461,097	\$2,374,908	\$15,120,716	\$ 874,227
Bonds payable	2,075,000		340,000	120,000	2,295,000	160,000
Compensated absences	<u>456,852</u>		<u>443,877</u>	<u>339,219</u>	<u>561,510</u>	<u>421,133</u>
Total	<u>\$ 21,849,993</u>	<u>\$ (3,283,614)</u>	<u>\$ 2,244,974</u>	<u>\$2,834,127</u>	<u>\$17,977,226</u>	<u>\$1,455,360</u>
Business-type Activities:						
Loans payable	\$ 2,624,664	\$ 258,000	\$	\$ 246,296	\$ 2,636,368	\$ 245,214
Compensated absences	<u>102,192</u>		<u>56,084</u>	<u>77,232</u>	<u>81,044</u>	<u>81,044</u>
Total	<u>\$ 2,726,856</u>	<u>\$ 258,000</u>	<u>\$ 56,084</u>	<u>\$ 323,528</u>	<u>\$ 2,717,412</u>	<u>\$ 326,258</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – LONG TERM DEBT (Cont'd)

Note payable outstanding at June 30, 2011 the following:

<u>Purpose</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:			
1998 NMFA Well #8	5/2018	\$ 219,740	\$ 25,931
2006 NMFA	5/2017	521,856	85,456
2007 NMFA Loan	3/2025	7,350,000	365,000
2007 NMED	12/2028	5,628,023	262,840
Espanola 12 2549	5/2027	<u>1,401,097</u>	<u>135,000</u>
Total		<u>15,120,716</u>	<u>874,227</u>
Business-type activities:			
1991 NMED Wastewater	2/2018	1,613,990	217,101
1996 RUS	12/2036	594,948	11,431
1997 RUS	3/2037	188,496	3,688
WTB 11-0110	6/2029	<u>238,934</u>	<u>12,994</u>
Total		<u>\$ 2,636,368</u>	<u>\$ 245,214</u>

A. Loans Payable

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

Government activities:

The City obtained a 1998 NMFA Well # 8 loan amount of 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:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,931	\$ 14,582	\$ 40,513
2013	27,542	12,913	40,455
2014	29,265	11,126	40,391
2015	31,111	9,214	40,325
2016	33,104	7,150	40,254
2017-2018	<u>72,787</u>	<u>10,048</u>	<u>82,835</u>
Total	<u>\$ 219,740</u>	<u>\$ 65,033</u>	<u>\$ 284,773</u>

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – LONG TERM DEBT (Cont'd)

A. Loans Payable (Cont'd)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 85,456	\$ 3,706	\$ 89,162
2013	86,051	3,112	89,163
2014	86,656	2,509	89,165
2015	87,271	1,896	89,167
2016	87,894	1,274	89,168
2017	<u>88,528</u>	<u>642</u>	<u>89,170</u>
Total	<u>\$ 521,856</u>	<u>\$ 13,139</u>	<u>\$ 534,995</u>

The City obtained a 2007 NMFA Loan amount of with maturity date on May 01, 2027. The future requirements for the loan are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 365,000	\$ 292,957	\$ 657,957
2013	380,000	279,598	659,598
2014	395,000	265,462	660,462
2015	410,000	250,570	660,570
2016	430,000	234,908	664,908
2017-2021	2,430,000	905,973	3,335,973
2022-2025	<u>2,940,000</u>	<u>342,617</u>	<u>3,282,617</u>
Total	<u>\$ 7,350,000</u>	<u>\$ 2,572,085</u>	<u>\$ 9,922,085</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 262,840	\$ 112,560	\$ 375,400
2013	268,097	107,304	375,401
2014	273,459	101,942	375,401
2015	278,928	96,473	375,401
2016	284,507	90,894	375,401
2017-2021	1,510,198	366,807	1,877,005
2022-2026	1,667,380	209,625	1,877,005
2027-2029	<u>1,082,614</u>	<u>43,590</u>	<u>1,126,204</u>
Total	<u>\$ 5,628,023</u>	<u>\$ 1,129,195</u>	<u>\$ 6,757,218</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – LONG TERM DEBT (Cont'd)

A. Loans Payable (Cont'd)

On February 04, 2011, The City borrowed \$1,461,097 with maturity date on May 01, 2027 from the New Mexico Finance Authority for the purpose of refinancing two existing debts 1997 NMFA Sewer/ Water and 2002 NMFA Well #9. Principal is paid annually with interest. The note is secured from the revenues derived from the Municipal Gross Receipts Tax and State- Shared Gross Receipts Tax.

The future requirements for the loan are as follows:

<u>Year ending June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 135,000	\$ 36,001	\$ 171,001
2013	135,000	34,786	169,786
2014	135,000	33,179	168,179
2015	140,000	31,127	171,127
2016	140,000	28,551	168,551
2017-2021	345,000	102,947	447,947
2022-2026	280,000	55,089	335,089
2027	<u>91,097</u>	<u>3,981</u>	<u>95,078</u>
Total	<u>\$ 1,401,097</u>	<u>\$ 325,661</u>	<u>\$ 1,726,758</u>

Business-type activities:

A. Loans Payable (Cont'd)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	234,997	14,384	249,381
2017-2018	<u>484,188</u>	<u>14,574</u>	<u>498,762</u>
Totals	<u>\$ 1,613,990</u>	<u>\$ 131,676</u>	<u>\$ 1,745,666</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – LONG TERM DEBT (Cont'd)

A. Loans Payable (Cont'd)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	13,961	27,961	41,922
2017-2021	81,299	128,312	209,611
2022-2026	104,379	105,232	209,611
2027-2031	134,012	75,599	209,611
2032-2036	172,057	37,553	209,610
2037	<u>39,879</u>	<u>2,044</u>	<u>41,923</u>
Totals	<u>\$ 594,948</u>	<u>\$ 495,028</u>	<u>\$ 1,089,976</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,688	\$ 9,425	\$ 13,113
2013	3,872	9,240	13,112
2014	4,066	9,047	13,113
2015	4,269	8,844	13,113
2016	4,483	8,630	13,113
2017-2021	26,007	39,556	65,563
2022-2026	33,193	32,370	65,563
2027-2031	42,363	23,200	65,563
2032-2036	54,067	11,496	65,563
2037	<u>12,488</u>	<u>624</u>	<u>13,112</u>
Totals	<u>\$ 188,496</u>	<u>\$ 152,432</u>	<u>\$ 340,928</u>

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – LONG TERM DEBT (Cont'd)

A. Loans Payable (Cont'd)

The City obtained a WTB 11-0110 loan amount of with an interest rate of 5% and loan maturity date is June 01, 2029. The future requirements for the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,994	\$ 597	\$ 13,591
2013	13,026	565	13,591
2014	13,059	532	13,591
2015	13,092	500	13,592
2016	13,124	467	13,591
2017-2021	66,116	1,841	67,957
2022-2026	66,949	1,010	67,959
2027-2029	<u>40,574</u>	<u>203</u>	<u>40,777</u>
Totals	<u>\$ 238,934</u>	<u>\$ 5,715</u>	<u>\$ 244,649</u>

B. Bonds Payable

Revenue and refunding bonds are issued and authorized by the governing body to provide funds to acquire and construct certain improvements to the Water and Wastewater systems of the City and to pay the costs incurred in connection with the issuance of the bonds. Revenue and refunding bonds outstanding as reported in governmental-type activities at June 30, 2011 was as follows:

<u>Purpose</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:			
Bond ESP 13	3/2023	\$ <u>2,295,000</u>	\$ <u>160,000</u>
Total		\$ <u>2,295,000</u>	\$ <u>160,000</u>

On October 1, 1999 the City issued revenue bonds for governmental activities in the amount of \$8,510,000. On February 4, 2011, the City refunded the balance of these bonds in the amount of \$2,075,000 through issuance of the Supplemental Gross Receipts Tax Revenue Bonds in the amount of 2,415,000 with an interest rate of 5.1-5.8% and loan maturity date is March 01, 2023. Cash flow differential and economic loss totaled \$(340,000). The bonds is secured from the revenues derived from the Municipal Gross Receipts Tax and State- Shared Gross Receipts Tax.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – LONG TERM DEBT (Cont'd)

B. Bonds Payable (Cont'd)

The future requirements for the bond are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 160,000	\$ 63,482	\$ 223,482
2013	160,000	62,042	222,042
2014	160,000	60,137	220,137
2015	160,000	57,706	217,706
2016	160,000	54,762	214,762
2017-2021	875,000	207,146	1,082,146
2022-2026	<u>620,000</u>	<u>40,557</u>	<u>660,557</u>
Total	<u>\$ 2,295,000</u>	<u>\$ 545,832</u>	<u>\$ 2,840,832</u>

NOTE 6 – 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	\$ 298	General Fund	\$ 2,959,067
Infrastructure Projects	2,500,000	Infrastructure Projects	66,688
2002 Bond Debt Service	1,273,466	2002 Bond Debt Service	1,598,054
NMFA PPR Equipment Project Loan	1,347,436	NMFA WWW Debt Service	1,641,621
Non-Major Governmental Funds	1,887,130	Non-Major Governmental Funds	3,901,807
Water and Wastewater	1,615,344	Utility Asset Management	49,069
Solid Waste	<u>1,292,632</u>	Solid Waste	<u>0</u>
Total	<u>\$ 9,916,306</u>	Total	<u>\$ 10,216,306</u>

At year end, several funds were involved in borrowing arrangements due to the existence of a negative cash balance. The City's due to/due from do not balance for the year ended June 30, 2012. They do not balance by \$300,000. All interfund balances are expected to be paid within one year.

**CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont'd)

Interfund transfers:

Interfund transfers at June 30, 2011 consisted of the following:

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	\$ 824,795	General Fund	\$ 859,165
2002 Bond Debt Service	1,031,893	Infrastructure Projects	553,889
NMFA WWW Debt Service	91,781	Non-Major Governmental Funds	101,165
NMFA PPR Equipment Project Loan	45,407	Water and Wastewater	1,898,632
Non-Major Governmental Funds	979,837	Solid Waste	31,662
Water and Wastewater	<u>470,800</u>	Utility Asset Management	<u>0</u>
Total	<u>\$ 3,444,513</u>	Total	<u>\$ 3,444,513</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 7 – 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 favourable 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 disallowance's or adjustments, if any, are undeterminable.

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2011. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2011, would not be material to the financial position of the City.

NOTE 8 – 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, 2011

NOTE 9 – 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 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit public employee retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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 2011, 2010, and 2009 were \$1.0, \$1.4 million, and \$1.1 million, respectively.

NOTE 10 – 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, 2011**

**NOTE 10 – 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, 2011, 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, 2011, 2010 and 2009 were \$121,134, \$100,261 and \$132,359, respectively.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

Accounts Payable:

During the fiscal year ended June 30, 2011, the City determined that changes to the beginning of year net assets and fund balances were necessary due to incorrect account payable balances in the prior years. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$637,408 to its fund and government wide financial statements.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – PRIOR PERIOD ADJUSTMENTS (Cont'd)

Loan Payable:

WTB No.11-0110. On December, 2009, the City obtained a loan and entered into an agreement with New Mexico Finance Authority and New Mexico Water Trust Board to finance the construction of a water blending plant and construction of a water main. During the year ended June 30, 2011, the City discovered that the loan was not recorded in its financial statements. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$258,000 to its Water and Wastewater fund in the statement of net assets for proprietary funds.

2007 NMED Loan. During the year ended June 30, 2011, the City discovered that the loan has been reflected incorrectly/erroneously in its financial statements due to errors/misstatement in the balances of the prior year financial Statements (FY 2009). As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$3,283,614 to its government wide financial statements.

NOTE 12 – SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

In November 2010, GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements. Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The standard is expected to have no effect on the City in upcoming years.

In November , 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In December of 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 - SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS (Cont'd)

Accountants' (AICPA) Committee on Accounting Procedure

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

In June, 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, the GASB issued Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62 which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity

CITY OF ESPANOLA, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 - SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS (Cont'd)

Transfers of Assets and Future Revenues, respectively

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 which is for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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 - INFRASTRUCTURE PROJECTS
YEAR ENDED JUNE 30, 2011

	<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>200,000</u>	\$ <u>200,000</u>	\$ <u>1,146,835</u>	\$ <u>946,835</u>
<i>Total revenues</i>	<u>200,000</u>	<u>200,000</u>	<u>1,146,835</u>	<u>946,835</u>
Expenditures				
Capital outlay	<u>480,360</u>	<u>515,149</u>	<u>112,737</u>	<u>402,412</u>
<i>Total expenditures</i>	<u>480,360</u>	<u>515,149</u>	<u>112,737</u>	<u>402,412</u>
Excess (deficiency) of revenues over expenditures	<u>(280,360)</u>	<u>(315,149)</u>	<u>1,034,098</u>	<u>1,349,247</u>
Other financing sources (uses)				
Transfers out	<u>(553,890)</u>	<u>(553,890)</u>	<u>(553,890)</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>(553,890)</u>	<u>(553,890)</u>	<u>(553,890)</u>	<u>0</u>
Net Change in fund balances	(834,250)	(869,039)	480,208	1,349,247
Fund balances (deficits), July 01, 2010	<u>(234,069)</u>	<u>(796,069)</u>	<u>2,713,280</u>	<u>3,509,349</u>
Fund balances (deficits), June 30, 2011	\$ <u>(1,068,319)</u>	\$ <u>(1,665,108)</u>	<u>3,193,488</u>	\$ <u>4,858,596</u>
Reconciliation to GAAP Basis				
Net change in fund balances			480,208	
Revenue accruals			0	
Expenditure accruals			<u>(99,232)</u>	
Net change in fund balances GAAP basis			<u>\$ 380,976</u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Debt service:				
Principal	470,000	470,000	250	469,750
Interest	399,521	399,521	58,526	340,995
Fiscal charges	<u>18,958</u>	<u>18,958</u>	<u> </u>	<u>18,958</u>
<i>Total Expenditures</i>	<u>888,479</u>	<u>888,479</u>	<u>58,776</u>	<u>829,703</u>
Excess (deficiency) of revenues over expenditures	<u>(888,479)</u>	<u>(888,479)</u>	<u>(58,776)</u>	<u>829,703</u>
Other financing sources (uses)				
Transfers in	<u>1,031,893</u>	<u>1,031,893</u>	<u>1,031,893</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>1,031,893</u>	<u>1,031,893</u>	<u>1,031,893</u>	<u>0</u>
Net Change in fund balances	143,414	143,414	973,117	829,703
Fund balances (deficits), July 01, 2010	<u>242,848</u>	<u>242,848</u>	<u>91,873</u>	<u>(150,975)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 386,262</u>	<u>\$ 386,262</u>	<u>1,064,990</u>	<u>\$ 678,728</u>
Reconciliation to GAAP Basis				
Net change in fund balances			973,117	
Revenue accruals			1,607	
Expenditure accruals			<u>(657,062)</u>	
Net change in fund balances GAAP basis			<u>\$ 317,662</u>	

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

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Bond Proceeds	\$ _____	\$ <u>593,893</u>	\$ _____	\$ <u>(593,893)</u>
<i>Total revenues</i>	<u>0</u>	<u>593,893</u>	<u>0</u>	<u>(593,893)</u>
Expenditures				
Debt service:				
Principal	<u>979,422</u>	<u>1,573,315</u>	<u>350,936</u>	<u>1,222,379</u>
<i>Total Expenditures</i>	<u>979,422</u>	<u>1,573,315</u>	<u>350,936</u>	<u>1,222,379</u>
Excess (deficiency) of revenues over expenditures	<u>(979,422)</u>	<u>(979,422)</u>	<u>(350,936)</u>	<u>628,486</u>
Other financing sources (uses)				
Transfers in	<u>91,781</u>	<u>91,781</u>	<u>91,781</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>91,781</u>	<u>91,781</u>	<u>91,781</u>	<u>0</u>
Net Change in fund balances	(887,641)	(887,641)	(259,155)	628,486
Fund balances (deficits), July 01, 2010	<u>(40,180)</u>	<u>(40,180)</u>	<u>37,192</u>	<u>77,372</u>
Fund balances (deficits), June 30, 2011	<u>\$ (927,821)</u>	<u>\$ (927,821)</u>	<u>(221,963)</u>	<u>\$ 705,858</u>
Reconciliation to GAAP Basis:				
Net change in fund balances			(259,155)	
Revenue accruals			803	
Expenditure accruals			<u>(724,656)</u>	
Net change in fund balances GAAP basis			<u>\$ (983,008)</u>	

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

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, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Other income	\$ _____	\$ <u>147,933</u>	\$ _____	\$ <u>(147,933)</u>
<i>Total revenues</i>	<u>0</u>	<u>147,933</u>	<u>0</u>	<u>(147,933)</u>
Expenditures				
Debt service:				
Principal		104,216		104,216
Interest		<u>43,717</u>		<u>43,717</u>
<i>Total expenditures</i>	<u>0</u>	<u>147,933</u>	<u>0</u>	<u>147,933</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)				
Transfers in	<u>45,406</u>	<u>45,406</u>	<u>45,406</u>	
<i>Total other financing sources (uses)</i>	<u>45,406</u>	<u>45,406</u>	<u>45,406</u>	<u>0</u>
Net Change in fund balances	45,406	45,406	45,406	0
Fund balances (deficits), July 01, 2010	<u>14</u>	<u>14</u>	<u>189,541</u>	<u>189,527</u>
Fund balances (deficits), June 30, 2011	<u>\$ 45,420</u>	<u>\$ 45,420</u>	<u>234,947</u>	<u>\$ 189,527</u>
Reconciliation to GAAP Basis				
Net change in fund balances			45,406	
Revenue accruals			1,801,173	
Expenditure accruals			(255,507)	
Bond proceeds accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 1,591,072</u>	

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

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2011**

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.

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.

**CITY OF ESPANOLA, NEW MEXICO
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2011**

Special Revenue Funds (Cont'd)

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

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.

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.

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, 2011**

Debt Service Funds (Cont'd)

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

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

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.

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

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

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

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

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

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

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

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
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	Recreation	Teen Court	Weed and Seed Grant
ASSETS			
Cash and investments	\$ 6,927	\$ 27,541	\$ 24,177
Accounts receivable	26		
Due from other funds			
	6,953	27,541	24,177
Total assets			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	828	340	5,504
Total liabilities	828	340	5,504
FUND BALANCES (DEFICITS)			
Restricted	6,125	27,201	18,673
Unassigned			
Total fund balances	6,125	27,201	18,673
Total liabilities and fund balances	\$ 6,953	\$ 27,541	\$ 24,177

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Bullet Proof Vest Grant</u>	<u>Operation Buckle Down</u>	<u>G.R.E.A.T. Grant</u>
ASSETS			
Cash and investments	\$	\$	\$
Accounts receivable			
Due from other funds			
Total assets	0	0	0
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	16,206	12,961	11,691
Total liabilities	16,206	12,961	11,691
FUND BALANCES (DEFICITS)			
Restricted			
Unassigned	(16,206)	(12,961)	(11,691)
Total fund balances	(16,206)	(12,961)	(11,691)
Total liabilities and fund balances	\$ 0	\$ 0	\$ 0

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	COPS in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant
ASSETS			
Cash and investments	\$	\$ 3,315	\$ 381
Accounts receivable			
Due from other funds			
Total assets	0	3,315	381
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	214,183		1,065
Total liabilities	214,183	0	1,065
FUND BALANCES (DEFICITS)			
Restricted		3,315	
Unassigned	(214,183)		(684)
Total fund balances	(214,183)	3,315	(684)
Total liabilities and fund balances	\$ 0	\$ 3,315	\$ 381

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Library Grant</u>	<u>Transit System Grant</u>	<u>Summer Lunch Program Grant</u>
ASSETS			
Cash and investments	\$ 53,190	\$	\$
Accounts receivable			
Due from other funds			
Total assets	<u>53,190</u>	<u>0</u>	<u>0</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>5,309</u>	<u>142,464</u>	<u>45,610</u>
Total liabilities	<u>5,309</u>	<u>142,464</u>	<u>45,610</u>
FUND BALANCES (DEFICITS)			
Restricted	47,881		
Unassigned	<u> </u>	<u>(142,464)</u>	<u>(45,610)</u>
Total fund balances	<u>47,881</u>	<u>(142,464)</u>	<u>(45,610)</u>
Total liabilities and fund balances	<u>\$ 53,190</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	Click It or Ticket	EMS	Wildland Grant
ASSETS			
Cash and investments	\$	\$ 7,300	\$
Accounts receivable			
Due from other funds			
Total assets	0	7,300	0
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	903		6,622
Total liabilities	903	0	6,622
FUND BALANCES (DEFICITS)			
Restricted		7,300	
Unassigned	(903)		(6,622)
Total fund balances	(903)	7,300	(6,622)
Total liabilities and fund balances	\$ 0	\$ 7,300	\$ 0

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>Days and Nights of Summer</u>
ASSETS			
Cash and investments	\$	\$	\$ 905
Accounts receivable			
Due from other funds			1,775
Total assets	<u>0</u>	<u>0</u>	<u>2,680</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>14,055</u>	<u>74,668</u>	
Total liabilities	<u>14,055</u>	<u>74,668</u>	<u>0</u>
FUND BALANCES (DEFICITS)			
Restricted			2,680
Unassigned	<u>(14,055)</u>	<u>(74,668)</u>	
Total fund balances	<u>(14,055)</u>	<u>(74,668)</u>	<u>2,680</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,680</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>DWI Program Enforcement</u>	<u>Public Safety Grants</u>	<u>E-911 Grant</u>
ASSETS			
Cash and investments	\$	\$	\$ 9,610
Accounts receivable			
Due from other funds			
Total assets	<u>0</u>	<u>0</u>	<u>9,610</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>20,462</u>	<u>24,655</u>	<u>15,064</u>
Total liabilities	<u>20,462</u>	<u>24,655</u>	<u>15,064</u>
FUND BALANCES (DEFICITS)			
Restricted			
Unassigned	<u>(20,462)</u>	<u>(24,655)</u>	<u>(5,454)</u>
Total fund balances	<u>(20,462)</u>	<u>(24,655)</u>	<u>(5,454)</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,610</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Fire Protection</u>	<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>
ASSETS			
Cash and investments	\$ 179,447	\$ 153,405	\$ 13,791
Accounts receivable	1,582		
Due from other funds			37,400
Total assets	<u>181,029</u>	<u>153,405</u>	<u>51,191</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>27,295</u>	<u>51,145</u>	
Total liabilities	<u>27,295</u>	<u>51,145</u>	<u>0</u>
FUND BALANCES (DEFICITS)			
Restricted	153,734	102,260	51,191
Unassigned			
Total fund balances	<u>153,734</u>	<u>102,260</u>	<u>51,191</u>
Total liabilities and fund balances	<u>\$ 181,029</u>	<u>\$ 153,405</u>	<u>\$ 51,191</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
ASSETS			
Cash and investments	\$ 18,432	\$	\$ 86,437
Accounts receivable			
Due from other funds	<u> </u>	<u> </u>	<u>4,899</u>
Total assets	<u>18,432</u>	<u>0</u>	<u>91,336</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u> </u>	<u>10,663</u>	<u> </u>
Total liabilities	<u>0</u>	<u>10,663</u>	<u>0</u>
FUND BALANCES (DEFICITS)			
Restricted	18,432		91,336
Unassigned	<u> </u>	<u>(10,663)</u>	<u> </u>
Total fund balances	<u>18,432</u>	<u>(10,663)</u>	<u>91,336</u>
Total liabilities and fund balances	<u>\$ 18,432</u>	<u>\$ 0</u>	<u>\$ 91,336</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>
ASSETS			
Cash and investments	\$ 27,188	\$ 53,219	\$
Accounts receivable			
Due from other funds			
Total assets	<u>27,188</u>	<u>53,219</u>	<u>0</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>17,258</u>	<u>91,222</u>	<u>4,767</u>
Total liabilities	<u>17,258</u>	<u>91,222</u>	<u>4,767</u>
FUND BALANCES (DEFICITS)			
Restricted	9,930		
Unassigned	<u> </u>	<u>(38,003)</u>	<u>(4,767)</u>
Total fund balances	<u>9,930</u>	<u>(38,003)</u>	<u>(4,767)</u>
Total liabilities and fund balances	<u>\$ 27,188</u>	<u>\$ 53,219</u>	<u>\$ 0</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E-1

	<u>Municipal Service Improvements</u>	<u>Total</u>	
ASSETS			
Cash and investments	\$ 782,542	\$ 1,447,807	
Accounts receivable		1,608	
Due from other funds		<u>44,074</u>	
Total assets	<u>782,542</u>	<u>1,493,489</u>	
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds		<u>814,940</u>	
Total liabilities	<u>0</u>	<u>814,940</u>	
FUND BALANCES (DEFICITS)			
Restricted	782,542	1,322,600	
Unassigned		<u>(644,051)</u>	
Total fund balances	<u>782,542</u>	<u>678,549</u>	
Total liabilities and fund balances	<u>\$ 782,542</u>	<u>\$ 1,493,489</u>	

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Recreation</u>	<u>Teen Court</u>	<u>Weed and Seed Grant</u>
Revenues			
Municipal and state shared taxes	\$ 792	\$	\$
Intergovernmental	1,762	4,500	11,163
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			198
<i>Total revenues</i>	2,554	4,500	11,361
Expenditures			
Current:			
General governmental			
Public safety		3,748	13,403
Public works			
Culture and recreation			
Capital outlay			
Debt service:			
Principal			
<i>Total expenditures</i>	0	3,748	13,403
Excess (deficiency) of revenues over expenditures	2,554	752	(2,042)
Other financing sources (uses):			
Transfers in			
Transfers out			
<i>Total other financing sources (uses)</i>	0	0	0
Change in fund balances	2,554	752	(2,042)
Fund balances (deficits), beginning of year	3,571	26,449	20,715
Fund balances (deficits), end of year	\$ 6,125	\$ 27,201	\$ 18,673

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	Bullet Proof Vest Grant	Operation Buckle Down	G.R.E.A.T. Grant
Revenues			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental		1,232	
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			
<i>Total revenues</i>	0	1,232	0
Expenditures			
Current:			
General governmental			
Public safety		5,573	
Public works			
Culture and recreation			
Capital outlay			
Debt service:			
Principal			
<i>Total expenditures</i>	0	5,573	0
Excess (deficiency) of revenues over expenditures	0	(4,341)	0
Other financing sources (uses):			
Transfers in			
Transfers out			
<i>Total other financing sources (uses)</i>	0	0	0
Change in fund balances	0	(4,341)	0
Fund balances (deficits), beginning of year	(16,206)	(8,620)	(11,691)
Fund balances (deficits), end of year	\$ (16,206)	\$ (12,961)	\$ (11,691)

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<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	80,000		8,522
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			
	<u> </u>	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>80,000</u>	<u>0</u>	<u>8,522</u>
Expenditures			
Current:			
General governmental			
Public safety	98,361		8,188
Public works			
Culture and recreation			
Capital outlay			
Debt service:			
Principal			
	<u> </u>	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>98,361</u>	<u>0</u>	<u>8,188</u>
Excess (deficiency) of revenues over expenditures	<u>(18,361)</u>	<u>0</u>	<u>334</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
	<u> </u>	<u> </u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	(18,361)	0	334
Fund balances (deficits), beginning of year	<u>(195,822)</u>	<u>3,315</u>	<u>(1,018)</u>
Fund balances (deficits), end of year	<u>\$ (214,183)</u>	<u>\$ 3,315</u>	<u>\$ (684)</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Library Grant</u>	<u>Transit System Grant</u>	<u>Summer Lunch Program Grant</u>
Revenues			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental	41,200		
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues		291	
<i>Total revenues</i>	41,200	291	0
Expenditures			
Current:			
General governmental			
Public safety			
Public works			
Culture and recreation	15,681		
Capital outlay	7,375		
Debt service:			
Principal			
<i>Total expenditures</i>	23,056	0	0
Excess (deficiency) of revenues over expenditures	18,144	291	0
Other financing sources (uses):			
Transfers in			
Transfers out			
<i>Total other financing sources (uses)</i>	0	0	0
Change in fund balances	18,144	291	0
Fund balances (deficits), beginning of year	29,737	(142,755)	(45,610)
Fund balances (deficits), end of year	\$ 47,881	\$ (142,464)	\$ (45,610)

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	Click It or Ticket	EMS	Wildland Grant
Revenues			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental	728	7,599	
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			
	<u>728</u>	<u>7,599</u>	<u>0</u>
<i>Total revenues</i>			
Expenditures			
Current:			
General governmental			
Public safety	613	7,659	
Public works			
Culture and recreation			
Capital outlay			
Debt service:			
Principal			
	<u>613</u>	<u>7,659</u>	<u>0</u>
<i>Total expenditures</i>			
Excess (deficiency) of revenues over expenditures	<u>115</u>	<u>(60)</u>	<u>0</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total other financing sources (uses)</i>			
Change in fund balances	115	(60)	0
Fund balances (deficits), beginning of year	<u>(1,018)</u>	<u>7,360</u>	<u>(6,622)</u>
Fund balances (deficits), end of year	<u>\$ (903)</u>	<u>\$ 7,300</u>	<u>\$ (6,622)</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Law Enforcement Technology Grant</u>	<u>Firefighters</u>	<u>Days and Nights of Summer</u>
Revenues			
Municipal and state shared taxes	\$	\$	\$
Intergovernmental			3,614
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>3,614</u>
Expenditures			
Current:			
General governmental	10,622		934
Public safety			
Public works			
Culture and recreation			
Capital outlay			
Debt service:			
Principal			
<i>Total expenditures</i>	<u>10,622</u>	<u>0</u>	<u>934</u>
Excess (deficiency) of revenues over expenditures	<u>(10,622)</u>	<u>0</u>	<u>2,680</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	(10,622)	0	2,680
Fund balances (deficits), beginning of year	<u>(3,433)</u>	<u>(74,668)</u>	<u>0</u>
Fund balances (deficits), end of year	<u>\$ (14,055)</u>	<u>\$ (74,668)</u>	<u>\$ 2,680</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	DWI Program Enforcement	Public Safety Grants	E-911 Grant
Revenues			
Municipal and state shared taxes	\$	\$	\$ 846,089
Intergovernmental		186,808	
Charges for services			115,715
Licenses and permits			
Contributions and donations			
Investment Income			1,432
Other revenues			1,063
<i>Total revenues</i>	0	186,808	964,299
Expenditures			
Current:			
General governmental		2,356	
Public safety	28,862	95,402	911,476
Public works			
Culture and recreation			
Capital outlay			113,289
Debt service:			
Principal			
<i>Total expenditures</i>	28,862	97,758	1,024,765
Excess (deficiency) of revenues over expenditures	(28,862)	89,050	(60,466)
Other financing sources (uses):			
Transfers in			
Transfers out			(10,872)
<i>Total other financing sources (uses)</i>	0	0	(10,872)
Change in fund balances	(28,862)	89,050	(71,338)
Fund balances (deficits), beginning of year	8,400	(113,705)	65,884
Fund balances (deficits), end of year	\$ (20,462)	\$ (24,655)	\$ (5,454)

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Fire Protection</u>	<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>
Revenues			
Municipal and state shared taxes	\$	\$ 476,126	\$ 31,400
Intergovernmental	286,743		31,400
Charges for services			
Licenses and permits		680	
Contributions and donations			
Investment Income	961		
Other revenues	<u>770</u>	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>288,474</u>	<u>476,806</u>	<u>31,400</u>
Expenditures			
Current:			
General governmental		1,188	3,496
Public safety	269,688		
Public works		325,302	
Culture and recreation			
Capital outlay		6,411	
Debt service:			
Principal	<u>350</u>	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>270,038</u>	<u>332,901</u>	<u>3,496</u>
Excess (deficiency) of revenues over expenditures	<u>18,436</u>	<u>143,905</u>	<u>27,904</u>
Other financing sources (uses):			
Transfers in			
Transfers out	<u> </u>	<u> </u>	<u>(15,580)</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>(15,580)</u>
Change in fund balances	18,436	143,905	12,324
Fund balances (deficits), beginning of year	<u>135,298</u>	<u>(41,645)</u>	<u>38,867</u>
Fund balances (deficits), end of year	<u>\$ 153,734</u>	<u>\$ 102,260</u>	<u>\$ 51,191</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
Revenues			
Municipal and state shared taxes	\$	\$ 75,048	\$
Intergovernmental			
Charges for services			
Licenses and permits			
Contributions and donations			
Investment Income			
Other revenues			
	<u>0</u>	<u>75,048</u>	<u>0</u>
<i>Total revenues</i>			
Expenditures			
Current:			
General governmental			
Public safety			
Public works			
Culture and recreation			31,862
Capital outlay			
Debt service:			
Principal			
	<u>0</u>	<u>0</u>	<u>31,862</u>
<i>Total expenditures</i>			
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>75,048</u>	<u>(31,862)</u>
Other financing sources (uses):			
Transfers in			33,600
Transfers out		(74,713)	
	<u>0</u>	<u>(74,713)</u>	<u>33,600</u>
<i>Total other financing sources (uses)</i>			
Change in fund balances	0	335	1,738
Fund balances (deficits), beginning of year	<u>18,432</u>	<u>(10,998)</u>	<u>89,598</u>
Fund balances (deficits), end of year	<u>\$ 18,432</u>	<u>\$ (10,663)</u>	<u>\$ 91,336</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NM DOT Litter Control and Beautification</u>
Revenues			
Municipal and state shared taxes	\$ 3,000	\$	\$
Intergovernmental			462
Charges for services	49,667		
Licenses and permits			
Contributions and donations	3,383		
Investment Income			
Other revenues			
	<u> </u>	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>56,050</u>	<u>0</u>	<u>462</u>
Expenditures			
Current:			
General governmental			793
Public safety			
Public works			
Culture and recreation	56,245		2,100
Capital outlay			
Debt service:			
Principal			
	<u> </u>	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>56,245</u>	<u>0</u>	<u>2,893</u>
Excess (deficiency) of revenues over expenditures	<u>(195)</u>	<u>0</u>	<u>(2,431)</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
	<u> </u>	<u> </u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	(195)	0	(2,431)
Fund balances (deficits), beginning of year	<u>10,125</u>	<u>(38,003)</u>	<u>(2,336)</u>
Fund balances (deficits), end of year	<u>\$ 9,930</u>	<u>\$ (38,003)</u>	<u>\$ (4,767)</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit E-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Municipal Service Improvements</u>	<u>Total</u>
Revenues		
Municipal and state shared taxes	\$	\$ 1,401,055
Intergovernmental	696,571	1,362,304
Charges for services		165,382
Licenses and permits		680
Contributions and donations		3,383
Investment Income		2,393
Other revenues		<u>2,322</u>
<i>Total revenues</i>	<u>696,571</u>	<u>2,937,519</u>
Expenditures		
Current:		
General governmental	16,793	36,182
Public safety	58,189	1,501,162
Public works	138,980	464,282
Culture and recreation		105,888
Capital outlay	176,952	304,027
Debt service:		
Principal		<u>350</u>
<i>Total expenditures</i>	<u>390,914</u>	<u>2,411,891</u>
Excess (deficiency) of revenues over expenditures	<u>305,657</u>	<u>525,628</u>
Other financing sources (uses):		
Transfers in		33,600
Transfers out		<u>(101,165)</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>(67,565)</u>
Change in fund balances	305,657	458,063
Fund balances (deficits), beginning of year	<u>476,885</u>	<u>220,486</u>
Fund balances (deficits), end of year	<u>\$ 782,542</u>	<u>\$ 678,549</u>

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2011

	<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	\$	\$	\$ 791	\$ 791
Intergovernmental	<u>2,430</u>	<u>2,430</u>	<u>1,762</u>	<u>(668)</u>
<i>Total revenues</i>	<u>2,430</u>	<u>2,430</u>	<u>2,553</u>	<u>123</u>
Expenditures				
Current:				
Culture and recreation	<u>2,430</u>	<u>2,430</u>	<u> </u>	<u>2,430</u>
<i>Total expenditures</i>	<u>2,430</u>	<u>2,430</u>	<u>0</u>	<u>2,430</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>2,553</u>	<u>2,553</u>
Net Change in fund balances	0	0	2,553	2,553
Fund balances (deficits), July 01, 2010	<u>(1,200)</u>	<u>(1,200)</u>	<u>3,571</u>	<u>4,771</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (1,200)</u></u>	<u><u>\$ (1,200)</u></u>	<u>6,124</u>	<u><u>\$ 7,324</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			2,553	
Revenue accruals			1	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u><u>\$ 2,554</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TEEN COURT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ 9,662	\$ 9,662	\$ 11,980	\$ 2,318
<i>Total revenues</i>	9,662	9,662	11,980	2,318
Expenditures				
Current:				
Public safety	10,549	10,549	6,312	4,237
<i>Total expenditures</i>	10,549	10,549	6,312	4,237
Excess (deficiency) of revenues over expenditures	(887)	(887)	5,668	6,555
Net Change in fund balances	(887)	(887)	5,668	6,555
Fund balances (deficits), July 01, 2010	(48,819)	(48,819)	26,449	75,268
Fund balances (deficits), June 30, 2011	\$ (49,706)	\$ (49,706)	32,117	\$ 81,823
Reconciliation to GAAP Basis				
Net change in fund balances			5,668	
Revenue accruals			(7,480)	
Expenditure accruals			2,564	
Net change in fund balances GAAP basis			\$ 752	

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

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, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 23,968	\$ 23,968	\$ 29,719	\$ 5,751
<i>Total revenues</i>	23,968	23,968	29,719	5,751
Expenditures				
Current:				
Public safety	37,725	37,725	22,570	15,155
<i>Total expenditures</i>	37,725	37,725	22,570	15,155
Excess (deficiency) of revenues over expenditures	(13,757)	(13,757)	7,149	20,906
Net Change in fund balances	(13,757)	(13,757)	7,149	20,906
Fund balances (deficits), July 01, 2010	0	0	20,715	20,715
Fund balances (deficits), June 30, 2011	\$ (13,757)	\$ (13,757)	27,864	\$ 41,621
Reconciliation to GAAP Basis				
Net change in fund balances			7,149	
Revenue accruals			(18,358)	
Expenditure accruals			9,167	
Net change in fund balances GAAP basis			\$ (2,042)	

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

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, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures				
<i>Total expenditures</i>	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Net Change in fund balances	0	0	0	0
Fund balances (deficits), July 01, 2010	0	0	(16,206)	(16,206)
Fund balances (deficits), June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>(16,206)</u>	<u>\$ (16,206)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 0</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - OPERATION BUCKLE DOWN
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 2,645	\$ 4,605	\$ 3,280	\$ (1,325)
<i>Total revenues</i>	2,645	4,605	3,280	(1,325)
Expenditures				
Current:				
Public safety	15,686	17,646	9,385	8,261
<i>Total expenditures</i>	15,686	17,646	9,385	8,261
Excess (deficiency) of revenues over expenditures	(13,041)	(13,041)	(6,105)	6,936
Net Change in fund balances	(13,041)	(13,041)	(6,105)	6,936
Fund balances (deficits), July 01, 2010	(4,405)	(4,405)	(8,620)	(4,215)
Fund balances (deficits), June 30, 2011	\$ (17,446)	\$ (17,446)	(14,725)	\$ 2,721
Reconciliation to GAAP Basis				
Net change in fund balances			(6,105)	
Revenue accruals			(2,048)	
Expenditure accruals			3,812	
Net change in fund balances GAAP basis			\$ (4,341)	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures				
<i>Total expenditures</i>	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Net Change in fund balances	0	0	0	0
Fund balances (deficits), July 01, 2010	0	0	(11,691)	(11,691)
Fund balances (deficits), June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>(11,691)</u>	<u>\$ (11,691)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 0</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - COPS IN SCHOOLS GRANT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>171,766</u>	\$ <u>282,643</u>	\$ <u>212,983</u>	\$ <u>41,217</u>
<i>Total revenues</i>	<u>171,766</u>	<u>282,643</u>	<u>212,983</u>	<u>41,217</u>
Expenditures				
Current:				
Public safety	<u>276,854</u>	<u>387,731</u>	<u>165,637</u>	<u>111,217</u>
<i>Total expenditures</i>	<u>276,854</u>	<u>387,731</u>	<u>165,637</u>	<u>111,217</u>
Excess (deficiency) of revenues over expenditures	<u>(105,088)</u>	<u>(105,088)</u>	<u>47,346</u>	<u>152,434</u>
Net Change in fund balances	(105,088)	(105,088)	47,346	152,434
Fund balances, July 01, 2010	<u>0</u>	<u>0</u>	<u>(195,822)</u>	<u>(195,822)</u>
Fund balances, June 30, 2011	<u><u>\$ (105,088)</u></u>	<u><u>\$ (105,088)</u></u>	<u>(148,476)</u>	<u><u>\$ (43,388)</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			47,346	
Revenue accruals			(132,983)	
Expenditure accruals			<u>67,276</u>	
Net change in fund balances GAAP basis			<u><u>\$ (18,361)</u></u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	\$ _____	\$ 9,427	\$ _____	\$ (9,427)
<i>Total revenues</i>	0	9,427	0	(9,427)
Expenditures				
Current:				
Public safety	_____	9,427	_____	9,427
<i>Total expenditures</i>	0	9,427	0	9,427
Excess (deficiency) of revenues over expenditures	0	0	0	0
Net Change in fund balances	0	0	0	0
Fund balances (deficits), July 01, 2010	0	0	3,315	3,315
Fund balances (deficits), June 30, 2011	\$ 0	\$ 0	3,315	\$ 3,315
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			0	
Expenditure accruals			0	
Net change in fund balances GAAP basis			\$ 0	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ 18,297	\$ 33,538	\$ 22,688	\$ (10,850)
<i>Total revenues</i>	18,297	33,538	22,688	(10,850)
Expenditures				
Current:				
Public safety	23,047	38,288	13,788	24,500
<i>Total expenditures</i>	23,047	38,288	13,788	24,500
Excess (deficiency) of revenues over expenditures	(4,750)	(4,750)	8,900	13,650
Net Change in fund balances	(4,750)	(4,750)	8,900	13,650
Fund balances (deficits), July 01, 2010	747	747	(1,018)	(1,765)
Fund balances (deficits), June 30, 2011	\$ (4,003)	\$ (4,003)	7,882	\$ 11,885
Reconciliation to GAAP Basis				
Net change in fund balances			8,900	
Revenue accruals			(14,166)	
Expenditure accruals			5,600	
Net change in fund balances GAAP basis			\$ 334	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LIBRARY GRANT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 88,459	\$ 91,342	\$ 109,686	\$ 18,344
<i>Total revenues</i>	88,459	91,342	109,686	18,344
Expenditures				
Current:				
Culture and recreation	44,137	47,020	26,406	20,614
Capital outlay	20,758	20,758	12,419	8,339
<i>Total expenditures</i>	64,895	67,778	38,825	28,953
Excess (deficiency) of revenues over expenditures	23,564	23,564	70,861	47,297
Net Change in fund balances	23,564	23,564	70,861	47,297
Fund balances (deficits), July 01, 2010	(1,000)	0	29,737	29,737
Fund balances (deficits), June 30, 2011	\$ 22,564	\$ 23,564	100,598	\$ 77,034
Reconciliation to GAAP Basis				
Net change in fund balances			70,861	
Revenue accruals			(68,486)	
Expenditure accruals			15,769	
Net change in fund balances GAAP basis			\$ 18,144	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TRANSIT SYSTEM GRANT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
<i>Total expenditures</i>	<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>0</u>	<u>0</u>
Net Change in fund balances	0	0	0	0
Fund balances, July 01, 2010	<u>0</u>	<u>0</u>	<u>(142,755)</u>	<u>(142,755)</u>
Fund balances, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>(142,755)</u>	<u>\$ (142,755)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			291	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 291</u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures				
<i>Total expenditures</i>	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Net Change in fund balances	0	0	0	0
Fund balances (deficits), July 01, 2010	0	0	(45,610)	(45,610)
Fund balances (deficits), June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>(45,610)</u>	<u>\$ (45,610)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 0</u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>1,563</u>	\$ <u>1,563</u>	\$ <u>1,938</u>	\$ <u>375</u>
<i>Total revenues</i>	<u>1,563</u>	<u>1,563</u>	<u>1,938</u>	<u>375</u>
Expenditures				
Current:				
Public safety	<u>1,725</u>	<u>1,725</u>	<u>1,032</u>	<u>693</u>
<i>Total expenditures</i>	<u>1,725</u>	<u>1,725</u>	<u>1,032</u>	<u>693</u>
Excess (deficiency) of revenues over expenditures	<u>(162)</u>	<u>(162)</u>	<u>906</u>	<u>1,068</u>
Net Change in fund balances	(162)	(162)	906	1,068
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>(1,018)</u>	<u>(1,018)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (162)</u></u>	<u><u>\$ (162)</u></u>	<u><u>(112)</u></u>	<u><u>\$ 50</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			906	
Revenue accruals			(1,210)	
Expenditure accruals			<u>419</u>	
Net change in fund balances GAAP basis			<u><u>\$ 115</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - EMS
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>10,370</u>	\$ <u>10,370</u>	\$ <u>7,599</u>	\$ <u>(2,771)</u>
<i>Total revenues</i>	<u>10,370</u>	<u>10,370</u>	<u>7,599</u>	<u>(2,771)</u>
Expenditures				
Current:				
Public safety	<u>10,370</u>	<u>10,370</u>	<u>7,659</u>	<u>2,711</u>
<i>Total expenditures</i>	<u>10,370</u>	<u>10,370</u>	<u>7,659</u>	<u>2,711</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(60)</u>	<u>(60)</u>
Net Change in fund balances	0	0	(60)	(60)
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>7,360</u>	<u>7,360</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>7,300</u></u>	<u><u>\$ 7,300</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(60)	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u><u>\$ (60)</u></u>	

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

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Intergovernmental	\$ <u>16,316</u>	\$ <u>16,316</u>	\$ <u>20,231</u>	\$ <u>3,915</u>
<i>Total revenues</i>	<u>16,316</u>	<u>16,316</u>	<u>20,231</u>	<u>3,915</u>
Expenditures				
Current:				
General governmental	29,897	29,897	17,887	12,010
Public safety	<u>21,558</u>	<u>21,558</u>	<u>12,898</u>	<u>8,660</u>
<i>Total expenditures</i>	<u>51,455</u>	<u>51,455</u>	<u>30,785</u>	<u>20,670</u>
Excess (deficiency) of revenues over expenditures	<u>(35,139)</u>	<u>(35,139)</u>	<u>(10,554)</u>	<u>24,585</u>
Other financing sources (uses)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Net Change in fund balances	(15,139)	(15,139)	9,446	24,585
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>6,425</u>	<u>6,425</u>
Fund balances, (deficits), June 30, 2011	<u><u>\$ (15,139)</u></u>	<u><u>\$ (15,139)</u></u>	<u>15,871</u>	<u><u>\$ 31,010</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			9,446	
Revenue accruals			(40,231)	
Expenditure accruals			<u>20,163</u>	
Net change in fund balances GAAP basis			<u><u>\$ (10,622)</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DAYS AND NIGHTS OF SUMMER
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ 7,760	\$ 7,760	\$ 9,622	\$ 1,862
<i>Total revenues</i>	7,760	7,760	9,622	1,862
Expenditures				
Current:				
General governmental	2,629	2,629	1,573	1,056
<i>Total expenditures</i>	2,629	2,629	1,573	1,056
Excess (deficiency) of revenues over expenditures	5,131	5,131	8,049	2,918
Net Change in fund balances	5,131	5,131	8,049	2,918
Fund balances, July 01, 2010	0	0	0	0
Fund balances, June 30, 2011	\$ 5,131	\$ 5,131	8,049	\$ 2,918
Reconciliation to GAAP Basis				
Net change in fund balances			8,049	
Revenue accruals			(6,008)	
Expenditure accruals			639	
Net change in fund balances GAAP basis			\$ 2,680	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DWI PROGRAM ENFORCEMENT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Current:				
Public safety	<u> </u>	<u> </u>	<u>28,862</u>	<u>(28,862)</u>
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>28,862</u>	<u>(28,862)</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(28,862)</u>	<u>(28,862)</u>
Net Change in fund balances	0	0	(28,862)	(28,862)
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>8,400</u>	<u>8,400</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>(20,462)</u></u>	<u><u>\$ (20,462)</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(28,862)	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u><u>\$ (28,862)</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PUBLIC SAFETY GRANTS
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 401,090	\$ 599,451	\$ 497,337	\$ (102,114)
<i>Total revenues</i>	401,090	599,451	497,337	(102,114)
Expenditures				
Current:				
General governmental	6,631	6,631	3,967	2,664
Public safety	268,525	466,886	160,654	306,232
<i>Total expenditures</i>	275,156	473,517	164,621	308,896
Excess (deficiency) of revenues over expenditures	125,934	125,934	332,716	206,782
Net Change in fund balances	125,934	125,934	332,716	206,782
Fund balances (deficits), July 01, 2010	0	0	(111,349)	(111,349)
Fund balances (deficits), June 30, 2011	\$ 125,934	\$ 125,934	221,367	\$ 95,433
Reconciliation to GAAP Basis				
Net change in fund balances			332,716	
Revenue accruals			(310,529)	
Expenditure accruals			66,863	
Net change in fund balances GAAP basis			\$ 89,050	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - E-911 GRANT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Municipal and state shared taxes	\$ 1,008,235	\$ 1,008,235	\$ 845,036	\$ (163,199)
Charges for services	137,891	103,418	115,571	12,153
Other revenues	2,974	2,974	2,493	(481)
<i>Total revenues</i>	<u>1,149,100</u>	<u>1,114,627</u>	<u>963,100</u>	<u>(151,527)</u>
Expenditures				
Current:				
Public safety	1,038,120	1,038,120	953,581	84,539
Capital outlay	66,577	66,577	61,155	5,422
<i>Total expenditures</i>	<u>1,104,697</u>	<u>1,104,697</u>	<u>1,014,736</u>	<u>89,961</u>
Excess (deficiency) of revenues over expenditures	<u>44,403</u>	<u>9,930</u>	<u>(51,636)</u>	<u>(61,566)</u>
Other financing sources (uses)				
Transfers out	(10,870)	(10,870)	(10,872)	(2)
<i>Total other financing sources (uses)</i>	<u>(10,870)</u>	<u>(10,870)</u>	<u>(10,872)</u>	<u>(2)</u>
Net Change in fund balances	33,533	(940)	(62,508)	(61,568)
Fund balances (deficits), July 01, 2010	<u>26,450</u>	<u>26,450</u>	<u>65,959</u>	<u>39,509</u>
Fund balances (deficits), June 30, 2011	<u>\$ 59,983</u>	<u>\$ 25,510</u>	<u>3,451</u>	<u>\$ (22,059)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			(62,508)	
Revenue accruals			1,199	
Expenditure accruals			(10,029)	
Net change in fund balances GAAP basis			<u>\$ (71,338)</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FIRE PROTECTION
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 267,543	\$ 338,743	\$ 267,543	\$ (71,200)
Other revenues	6,242	6,242	20,509	14,267
<i>Total revenues</i>	273,785	344,985	288,052	(56,933)
Expenditures				
Current:				
Public safety	193,808	265,008	112,340	152,668
Debt service:				
Principal	185,735	185,735	107,660	78,075
<i>Total expenditures</i>	379,543	450,743	220,000	230,743
Excess (deficiency) of revenues over expenditures	(105,758)	(105,758)	68,052	173,810
Net Change in fund balances	(105,758)	(105,758)	68,052	173,810
Fund balances (deficits), July 01, 2010	52,575	52,575	135,298	82,723
Fund balances (deficits), June 30, 2011	\$ (53,183)	\$ (53,183)	203,350	\$ 256,533
Reconciliation to GAAP Basis				
Net change in fund balances			68,052	
Revenue accruals			422	
Expenditure accruals			(50,038)	
Net change in fund balances GAAP basis			\$ 18,436	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ROADS AND STREETS
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Municipal and state shared taxes	\$ 350,592	\$ 350,592	\$ 315,613	\$ (34,979)
Other revenues	<u>2,000</u>	<u>2,000</u>	<u> </u>	<u>(2,000)</u>
<i>Total revenues</i>	<u>352,592</u>	<u>352,592</u>	<u>315,613</u>	<u>(36,979)</u>
Expenditures				
Current:				
Public works	<u>349,150</u>	<u>349,150</u>	<u>332,530</u>	<u>16,620</u>
<i>Total expenditures</i>	<u>349,150</u>	<u>349,150</u>	<u>332,530</u>	<u>16,620</u>
Excess (deficiency) of revenues over expenditures	<u>3,442</u>	<u>3,442</u>	<u>(16,917)</u>	<u>(20,359)</u>
Net Change in fund balances	3,442	3,442	(16,917)	(20,359)
Fund balances (deficits), July 01, 2010	<u>(5,858)</u>	<u>(5,858)</u>	<u>(41,645)</u>	<u>(35,787)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (2,416)</u></u>	<u><u>\$ (2,416)</u></u>	<u><u>(58,562)</u></u>	<u><u>\$ (56,146)</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(16,917)	
Revenue accruals			161,193	
Expenditure accruals			<u>(371)</u>	
Net change in fund balances GAAP basis			<u><u>\$ 143,905</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LAW ENFORCEMENT PROTECTION
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 31,400	\$ 31,400	\$ 31,400	\$ _____
<i>Total revenues</i>	31,400	31,400	31,400	0
Expenditures				
Current:				
General governmental	15,820	15,820	3,496	12,324
<i>Total expenditures</i>	15,820	15,820	3,496	12,324
Excess (deficiency) of revenues over expenditures	15,580	15,580	27,904	12,324
Other financing sources (uses)				
Transfers out	(15,580)	(15,580)	(15,580)	_____
<i>Total other financing sources (uses)</i>	(15,580)	(15,580)	(15,580)	0
Net Change in fund balances	0	0	12,324	12,324
Fund balances (deficits), July 01, 2010	(12,995)	(12,995)	38,867	51,862
Fund balances (deficits), June 30, 2011	\$ (12,995)	\$ (12,995)	51,191	\$ 64,186
Reconciliation to GAAP Basis				
Net change in fund balances			12,324	
Revenue accruals			0	
Expenditure accruals			0	
Net change in fund balances GAAP basis			\$ 12,324	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LODGERS' TAX
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Municipal and state shared taxes	\$ 85,500	\$ 85,500	\$ 72,457	\$ (13,043)
<i>Total revenues</i>	85,500	85,500	72,457	(13,043)
Expenditures				
<i>Total Expenditures</i>	0	0	0	0
Excess (deficiency) of revenues over expenditures	85,500	85,500	72,457	(13,043)
Other financing sources (uses)				
Transfers out	(74,713)	(74,713)	(74,713)	
<i>Total other financing sources (uses)</i>	(74,713)	(74,713)	(74,713)	0
Net Change in fund balances	10,787	10,787	(2,256)	(13,043)
Fund balances (deficits), July 01, 2010	88,893	101,893	(10,998)	(112,891)
Fund balances (deficits), June 30, 2011	\$ 99,680	\$ 112,680	(13,254)	\$ (125,934)
Reconciliation to GAAP Basis				
Net change in fund balances			(2,256)	
Revenue accruals			2,591	
Expenditure accruals			0	
Net change in fund balances GAAP basis			\$ 335	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - LODGERS' TAX PROMOTIONAL
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Current:				
Culture and recreation	<u>44,387</u>	<u>44,387</u>	<u>31,863</u>	<u>12,524</u>
<i>Total Expenditures</i>	<u>44,387</u>	<u>44,387</u>	<u>31,863</u>	<u>12,524</u>
Excess (deficiency) of revenues over expenditures	<u>(44,387)</u>	<u>(44,387)</u>	<u>(31,863)</u>	<u>12,524</u>
Other financing sources (uses)				
Transfers in	<u>33,600</u>	<u>33,600</u>	<u>33,600</u>	<u>0</u>
<i>Total other financing sources (uses)</i>	<u>33,600</u>	<u>33,600</u>	<u>33,600</u>	<u>0</u>
Net Change in fund balances	(10,787)	(10,787)	1,737	12,524
Fund balances (deficits), July 01, 2010	<u>(20,560)</u>	<u>(33,560)</u>	<u>89,598</u>	<u>123,158</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (31,347)</u></u>	<u><u>\$ (44,347)</u></u>	<u>91,335</u>	<u><u>\$ 135,682</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			1,737	
Revenue accruals			0	
Expenditure accruals			<u>1</u>	
Net change in fund balances GAAP basis			<u><u>\$ 1,738</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FIESTA COUNCIL
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Municipal and state shared taxes	\$ 2,944	\$ 2,944	\$ 3,000	\$ 56
Charges for services	48,736	48,736	49,668	932
Contributions and donations	3,320	3,320	3,383	63
<i>Total revenues</i>	55,000	55,000	56,051	1,051
Expenditures				
Current:				
Culture and recreation	62,340	62,340	56,245	6,095
<i>Total Expenditures</i>	62,340	62,340	56,245	6,095
Excess (deficiency) of revenues over expenditures	(7,340)	(7,340)	(194)	7,146
Net Change in fund balances	(7,340)	(7,340)	(194)	7,146
Fund balances (deficits), July 01, 2010	(8,298)	(8,298)	10,125	18,423
Fund balances (deficits), June 30, 2011	\$ (15,638)	\$ (15,638)	9,931	\$ 25,569
Reconciliation to GAAP Basis				
Net change in fund balances			(194)	
Revenue accruals			(1)	
Expenditure accruals			0	
Net change in fund balances GAAP basis			\$ (195)	

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

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, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ <u>71,813</u>	\$ <u>72,613</u>	\$ <u>76,264</u>	\$ <u>3,651</u>
<i>Total revenues</i>	<u>71,813</u>	<u>72,613</u>	<u>76,264</u>	<u>3,651</u>
Expenditures				
Current:				
General Government		800		800
Culture and recreation	<u>71,813</u>	<u>71,813</u>	<u>67,059</u>	<u>4,754</u>
<i>Total Expenditures</i>	<u>71,813</u>	<u>72,613</u>	<u>67,059</u>	<u>5,554</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>9,205</u>	<u>9,205</u>
Net Change in fund balances	0	0	9,205	9,205
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>(2,336)</u>	<u>(2,336)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>6,869</u></u>	<u><u>\$ 6,869</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			9,205	
Revenue accruals			(75,802)	
Expenditure accruals			<u>64,166</u>	
Net change in fund balances GAAP basis			<u><u>\$ (2,431)</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -MUNICIPAL SERVICE IMPROVEMENTS
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ <u>630,000</u>	\$ <u>630,000</u>	\$ <u>857,764</u>	\$ <u>227,764</u>
<i>Total revenues</i>	<u>630,000</u>	<u>630,000</u>	<u>857,764</u>	<u>227,764</u>
Expenditures				
Current:				
General governmental	27,064	27,064	15,393	11,671
Public safety	93,778	93,778	53,338	40,440
Public works	223,981	223,981	127,394	96,587
Capital Outlay	<u>285,177</u>	<u>285,177</u>	<u>162,200</u>	<u>122,977</u>
<i>Total Expenditures</i>	<u>630,000</u>	<u>630,000</u>	<u>358,325</u>	<u>271,675</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>499,439</u>	<u>499,439</u>
Net Change in fund balances	0	0	499,439	499,439
Fund balances (deficits), July 01, 2010	<u>(269,061)</u>	<u>(269,061)</u>	<u>476,885</u>	<u>745,946</u>
Fund balances (deficits), June 30, 2011	<u>\$ (269,061)</u>	<u>\$ (269,061)</u>	<u>976,324</u>	<u>\$ 1,245,385</u>
Reconciliation to GAAP Basis				
Net change in fund balances			499,439	
Revenue accruals			(161,193)	
Expenditure accruals			<u>(32,589)</u>	
Net change in fund balances GAAP basis			<u>\$ 305,657</u>	

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit F-1

	RUS Loan Debt Service	Environmental Department Loan	NMFA Debt Service
ASSETS			
Cash and investments	\$ 605,220	\$	\$ 344,414
Due from other funds		212,844	
Total assets	605,220	212,844	344,414
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	216,055		156,065
Total liabilities	216,055	0	156,065
FUND BALANCES (DEFICITS)			
Restricted	389,165	212,844	188,349
Unassigned			
Total fund balances	389,165	212,844	188,349
Total liabilities and fund balances	\$ 605,220	\$ 212,844	\$ 344,414

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit F-1

	1994 Bond Debt Service	NMFA DWSRF Debt Service	NMED CWSRF Debt Service
ASSETS			
Cash and investments	\$	\$	\$ 787,776
Due from other funds	<u>653,477</u>	<u> </u>	<u>14,576</u>
Total assets	<u>653,477</u>	<u>0</u>	<u>802,352</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u> </u>	<u>711,704</u>	<u> </u>
Total liabilities	<u>0</u>	<u>711,704</u>	<u>0</u>
FUND BALANCES (DEFICITS)			
Restricted	653,477		802,352
Unassigned	<u> </u>	<u>(711,704)</u>	<u> </u>
Total fund balances	<u>653,477</u>	<u>(711,704)</u>	<u>802,352</u>
Total liabilities and fund balances	<u>\$ 653,477</u>	<u>\$ 0</u>	<u>\$ 802,352</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit F-1

	Trust Service Fund	NMFA Loan Reserve	NM State Board of FIN Loan
ASSETS			
Cash and investments	\$ 3	\$ 525,000	\$
Due from other funds	8,503		
Total assets	8,506	525,000	0
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds		66,582	
Total liabilities	0	66,582	0
FUND BALANCES (DEFICITS)			
Restricted	8,506	458,418	
Unassigned			
Total fund balances	8,506	458,418	0
Total liabilities and fund balances	\$ 8,506	\$ 525,000	\$ 0

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit F-1

	<u>USDA Loan / Police Department</u>	<u>Totals</u>	
ASSETS			
Cash and investments	\$ 15,589	\$ 2,278,002	
Due from other funds	<u> </u>	<u>889,400</u>	
Total assets	<u>15,589</u>	<u>3,167,402</u>	
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>125,000</u>	<u>1,275,406</u>	
Total liabilities	<u>125,000</u>	<u>1,275,406</u>	
FUND BALANCES (DEFICITS)			
Restricted		2,713,111	
Unassigned	<u>(109,411)</u>	<u>(821,115)</u>	
Total fund balances	<u>(109,411)</u>	<u>1,891,996</u>	
Total liabilities and fund balances	<u>\$ 15,589</u>	<u>\$ 3,167,402</u>	

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

CITY OF ESPANOLA, NEW MEXICO Exhibit F-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	RUS Loan Debt Service	Environmental Department Loan	NMFA Debt Service
<i>Revenues</i>			
Investment Income	\$ _____	\$ _____	\$ _____ 144
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>144</u>
<i>Expenditures</i>			
Debt service:			
Principal			24,428
Interest	<u>40,332</u>	<u>36,537</u>	<u>16,141</u>
<i>Total expenditures</i>	<u>40,332</u>	<u>36,537</u>	<u>40,569</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,332)</u>	<u>(36,537)</u>	<u>(40,425)</u>
<i>Other financing sources (uses)</i>			
Transfers in	<u>55,035</u>	<u>249,381</u>	<u>139,680</u>
<i>Total other financing sources (uses)</i>	<u>55,035</u>	<u>249,381</u>	<u>139,680</u>
Change in fund balances	14,703	212,844	99,255
Fund balances (deficits), beginning of year	<u>374,462</u>	<u>0</u>	<u>89,094</u>
Fund balances (deficits), end of the Year	<u>\$ 389,165</u>	<u>\$ 212,844</u>	<u>\$ 188,349</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit F-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	1994 Bond Debt Service	NMFA DWSRF Debt Service	NMED CWSRF Debt Service
<i>Revenues</i>			
Investment Income	\$ <u> </u>	\$ <u> </u>	\$ <u> 703</u>
<i>Total Revenues</i>	<u> 0</u>	<u> 0</u>	<u> 703</u>
<i>Expenditures</i>			
Debt service:			
Principal		645,592	257,687
Interest		<u> 4,292</u>	<u> 119,314</u>
<i>Total expenditures</i>	<u> 0</u>	<u> 649,884</u>	<u> 377,001</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u> 0</u>	<u> (649,884)</u>	<u> (376,298)</u>
<i>Other financing sources (uses)</i>			
Transfers in		<u> 91,159</u>	<u> 375,401</u>
<i>Total other financing sources (uses)</i>	<u> 0</u>	<u> 91,159</u>	<u> 375,401</u>
Change in fund balances	0	(558,725)	(897)
Fund balances (deficits), beginning of year	<u> 653,477</u>	<u> (152,979)</u>	<u> 803,249</u>
Fund balances (deficits), end of the Year	<u> 653,477</u>	<u> (711,704)</u>	<u> 802,352</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit F-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Trust Service Fund	NMFA Loan Reserve	NM State Board of FIN Loan
Revenues			
Investment Income	\$ _____	\$ _____	\$ _____
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Debt service:			
Principal	_____	_____	_____
Interest	_____	_____	_____
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)			
Transfers in	_____	_____	_____
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	0	0	0
Fund balances (deficits), beginning of year	<u>8,506</u>	<u>458,418</u>	<u>0</u>
Fund balances (deficits), end of the Year	<u>\$ 8,506</u>	<u>\$ 458,418</u>	<u>\$ 0</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit F-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>USDA Loan / Police Department</u>	<u>Totals</u>
Revenues		
Investment Income	\$ <u> </u>	\$ <u> 847</u>
<i>Total Revenues</i>	<u> 0</u>	<u> 847</u>
Expenditures		
Debt service:		
Principal		927,707
Interest		<u> 216,616</u>
<i>Total expenditures</i>	<u> 0</u>	<u> 1,144,323</u>
Excess (deficiency) of revenues over expenditures	<u> 0</u>	<u> (1,143,476)</u>
Other financing sources (uses)		
Transfers in	<u> 15,581</u>	<u> 926,237</u>
<i>Total other financing sources (uses)</i>	<u> 15,581</u>	<u> 926,237</u>
Change in fund balances	15,581	(217,239)
Fund balances (deficits), beginning of year	<u> (124,992)</u>	<u> 2,109,235</u>
Fund balances (deficits), end of the Year	<u> (109,411)</u>	<u> 1,891,996</u>

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Other Income	\$ _____	\$ 31,680	\$ _____	\$ (31,680)
<i>Total revenues</i>	0	31,680	0	(31,680)
Expenditures				
Debt service:				
Principal		8,329		8,329
Interest		23,351		23,351
<i>Total Expenditures</i>	0	31,680	0	31,680
Excess (deficiency) of revenues over expenditures	0	0	0	0
Other financing sources (uses)				
Transfers in	55,035	55,035	55,035	
<i>Total other financing sources (uses)</i>	55,035	55,035	55,035	0
Net Change in fund balances	55,035	55,035	55,035	0
Fund balances (deficits), July 01, 2010	(647,164)	(647,164)	374,462	1,021,626
Fund balances (deficits), June 30, 2011	\$ (592,129)	\$ (592,129)	429,497	\$ 1,021,626
Reconciliation to GAAP Basis				
Net change in fund balances			55,035	
Revenue accruals			0	
Expenditure accruals			(40,332)	
Net change in fund balances GAAP basis			\$ 14,703	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ENVIRONMENTAL DEPARTMENT LOAN
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Other Income	\$ _____	\$ 144,385	\$ _____	\$ (144,385)
<i>Total revenues</i>	0	144,385	0	(144,385)
Expenditures				
Debt service:				
Principal		123,231		123,231
Interest		21,154		21,154
<i>Total Expenditures</i>	0	144,385	0	144,385
Excess (deficiency) of revenues over expenditures	0	0	0	0
Other financing sources (uses)				
Transfers in	249,381	249,381	249,381	
<i>Total other financing sources (uses)</i>	249,381	249,381	249,381	0
Net Change in fund balances	249,381	249,381	249,381	0
Fund balances (deficits), July 01, 2010	0	0	0	0
Fund balances (deficits), June 30, 2011	\$ 249,381	\$ 249,381	249,381	\$ 0
Reconciliation to GAAP Basis				
Net change in fund balances			249,381	
Revenue accruals			0	
Expenditure accruals			(36,537)	
Net change in fund balances GAAP basis			\$ 212,844	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NMFA DEBT SERVICE
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Debt service:				
Principal	<u>23,067</u>	<u>23,067</u>	<u>8,265</u>	<u>14,802</u>
<i>Total Expenditures</i>	<u>23,067</u>	<u>23,067</u>	<u>8,265</u>	<u>14,802</u>
Excess (deficiency) of revenues over expenditures	<u>(23,067)</u>	<u>(23,067)</u>	<u>(8,265)</u>	<u>14,802</u>
Other financing sources (uses)				
Transfers in	<u>139,680</u>	<u>139,680</u>	<u>139,680</u>	<u>0</u>
<i>Total other financing sources (uses)</i>	<u>139,680</u>	<u>139,680</u>	<u>139,680</u>	<u>0</u>
Net Change in fund balances	116,613	116,613	131,415	14,802
Fund balances (deficits), July 01, 2010	<u>(49,320)</u>	<u>(49,320)</u>	<u>89,094</u>	<u>138,414</u>
Fund balances (deficits), June 30, 2011	<u>\$ 67,293</u>	<u>\$ 67,293</u>	<u>220,509</u>	<u>\$ 153,216</u>
Reconciliation to GAAP Basis				
Net change in fund balances			131,415	
Revenue accruals			144	
Expenditure accruals			<u>(32,304)</u>	
Net change in fund balances GAAP basis			<u>\$ 99,255</u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Other Income	\$ _____	\$ <u>51,621</u>	\$ _____	\$ <u>(51,621)</u>
<i>Total revenues</i>	<u>0</u>	<u>51,621</u>	<u>0</u>	<u>(51,621)</u>
Expenditures				
Debt service:				
Principal		49,136		49,136
Interest		<u>2,485</u>		<u>2,485</u>
<i>Total Expenditures</i>	<u>0</u>	<u>51,621</u>	<u>0</u>	<u>51,621</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)				
Transfers in	<u>91,159</u>	<u>91,159</u>	<u>91,159</u>	
<i>Total other financing sources (uses)</i>	<u>91,159</u>	<u>91,159</u>	<u>91,159</u>	<u>0</u>
Net Change in fund balances	91,159	91,159	91,159	0
Fund balances (deficits), July 01, 2010	<u>(90,715)</u>	<u>(142,568)</u>	<u>(152,979)</u>	<u>(10,411)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 444</u>	<u>\$ (51,409)</u>	<u>(61,820)</u>	<u>\$ (10,411)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			91,159	
Revenue accruals			0	
Expenditure accruals			<u>(649,884)</u>	
Net change in fund balances GAAP basis			<u>\$ (558,725)</u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Other Income	\$ _____	\$ 218,274	\$ _____	\$ (218,274)
<i>Total revenues</i>	0	218,274	0	(218,274)
Expenditures				
Debt service:				
Principal		149,194		149,194
Interest		69,080		69,080
<i>Total Expenditures</i>	0	218,274	0	218,274
Excess (deficiency) of revenues over expenditures	0	0	0	0
Other financing sources (uses)				
Transfers in	375,401	375,401	375,401	
<i>Total other financing sources (uses)</i>	375,401	375,401	375,401	0
Net Change in fund balances	375,401	375,401	375,401	0
Fund balances (deficits), July 01, 2010	0	0	803,249	803,249
Fund balances (deficits), June 30, 2011	\$ 375,401	\$ 375,401	1,178,650	\$ 803,249
Reconciliation to GAAP Basis				
Net change in fund balances			375,401	
Revenue accruals			703	
Expenditure accruals			(377,001)	
Net change in fund balances GAAP basis			\$ (897)	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TRUST SERVICE
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in fund balances	0	0	0	0
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>75,091</u>	<u>75,091</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u>75,091</u>	<u><u>\$ 75,091</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			0	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u><u>\$ 0</u></u>	

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

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, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
<i>Total revenues</i>	\$ <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>23,023</u>	<u>26,977</u>
<i>Total Expenditures</i>	<u>50,000</u>	<u>50,000</u>	<u>23,023</u>	<u>26,977</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(23,023)</u>	<u>26,977</u>
Net Change in fund balances	(50,000)	(50,000)	(23,023)	26,977
Fund balances (deficits), July 01, 2010	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (100,000)</u></u>	<u><u>\$ (100,000)</u></u>	<u>(23,023)</u>	<u><u>\$ 76,977</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(23,023)	
Revenue accruals			0	
Expenditure accruals			<u>23,023</u>	
Net change in fund balances GAAP basis			<u><u>\$ 0</u></u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
<i>Total expenditures</i>	<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>0</u>	<u>0</u>
Other financing sources (uses)				
Transfers in	<u>15,581</u>	<u>15,581</u>	<u>15,581</u>	
<i>Total other financing sources (uses)</i>	<u>15,581</u>	<u>15,581</u>	<u>15,581</u>	<u>0</u>
Net Change in fund balances	15,581	15,581	15,581	0
Fund balances (deficits), July 01, 2010	<u>114,740</u>	<u>114,740</u>	<u>(124,992)</u>	<u>(239,732)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 130,321</u>	<u>\$ 130,321</u>	<u>(109,411)</u>	<u>\$ (239,732)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			15,581	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 15,581</u>	

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit G-1

	Plaza Development	Capital Projects Grants	NMLA Capital Improvements Grant	NM DOT Grant
ASSETS				
Cash and investments	\$	\$	\$	\$
Due from other funds		953,656		
Total assets	0	953,656	0	0
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable		635		
Due to other funds	24,311	103,313	215,634	646,350
Total liabilities	24,311	103,948	215,634	646,350
FUND BALANCES (DEFICITS)				
Restricted		849,708		
Unassigned	(24,311)		(215,634)	(646,350)
Total fund balances	(24,311)	849,708	(215,634)	(646,350)
Total liabilities and fund balances	\$ 0	\$ 953,656	\$ 0	\$ 0

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit G-1

	<u>USDA Grants</u>	<u>Capital Projects Esp 8</u>	<u>NM SAP W/WW Project Grant</u>	<u>Federal W/WW Project Grant</u>
ASSETS				
Cash and investments	\$	\$	\$ 31,519	\$
Due from other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u> 0</u>	<u> 0</u>	<u> 31,519</u>	<u> 0</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable				
Due to other funds	<u> 22,428</u>	<u> 36,657</u>	<u> </u>	<u> 336,511</u>
Total liabilities	<u> 22,428</u>	<u> 36,657</u>	<u> 0</u>	<u> 336,511</u>
FUND BALANCES (DEFICITS)				
Restricted			31,519	
Unassigned	<u> (22,428)</u>	<u> (36,657)</u>	<u> </u>	<u> (336,511)</u>
Total fund balances	<u> (22,428)</u>	<u> (36,657)</u>	<u> 31,519</u>	<u> (336,511)</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,519</u>	<u>\$ 0</u>

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

CITY OF ESPANOLA, NEW MEXICO
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit G-1

	NMFA Trust Board	State Water Project Grants	State Agency on Aging Grants	Totals
ASSETS				
Cash and investments	\$	\$ 20,170	\$	\$ 51,689
Due from other funds				953,656
Total assets	<u>0</u>	<u>20,170</u>	<u>0</u>	<u>1,005,345</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable				635
Due to other funds	417,300		8,957	1,811,461
Total liabilities	<u>417,300</u>	<u>0</u>	<u>8,957</u>	<u>1,812,096</u>
FUND BALANCES (DEFICITS)				
Restricted		20,170		901,397
Unassigned	(417,300)		(8,957)	(1,708,148)
Total fund balances	<u>(417,300)</u>	<u>20,170</u>	<u>(8,957)</u>	<u>(806,751)</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 20,170</u>	<u>\$ 0</u>	<u>\$ 1,005,345</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	Plaza Development	Capital Projects Grants	NMLA Capital Improvements Grant
Revenues			
Intergovernmental	\$	\$ 13,678	\$ 494,489
Charges for services	5,649	16,524	
Other revenue			
<i>Total revenues</i>	5,649	30,202	494,489
Expenditures			
General government	28,593	5,360	545,815
Public works			
Capital Outlay	11,365	300,000	
<i>Total expenditures</i>	39,958	305,360	545,815
Excess (deficiency) of revenues over expenditures	(34,309)	(275,158)	(51,326)
Other financing sources (uses):			
Transfers In	20,000		
<i>Total other financing sources (uses)</i>	20,000	0	0
Change in fund balances	(14,309)	(275,158)	(51,326)
Fund balances (deficits), beginning of year	(10,002)	1,124,866	(164,308)
Fund balances (deficits), end of year	\$ (24,311)	\$ 849,708	\$ (215,634)

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

CITY OF ESPANOLA, NEW MEXICO Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	<u>NM DOT Grant</u>	<u>USDA Grants</u>	<u>Capital Projects Esp 8</u>
Revenues			
Intergovernmental	\$ 1,706,080	\$	\$
Charges for services			
Other revenue			
<i>Total revenues</i>	1,706,080	0	0
Expenditures			
General government	67,821		36,657
Public works			
Capital Outlay	1,226,883		
<i>Total expenditures</i>	1,294,704	0	36,657
Excess (deficiency) of revenues over expenditures	411,376	0	(36,657)
Other financing sources (uses):			
Transfers In			
<i>Total other financing sources (uses)</i>	0	0	0
Change in fund balances	411,376	0	(36,657)
Fund balances (deficits), beginning of year	(1,057,726)	(22,428)	0
Fund balances (deficits), end of year	\$ (646,350)	\$ (22,428)	\$ (36,657)

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

CITY OF ESPANOLA, NEW MEXICO Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	<u>NM SAP</u>	<u>Federal W/WW</u>	<u>NMFA Trust</u>
	<u>W/WW Project</u>	<u>Project Grant</u>	<u>Board</u>
	<u>Grant</u>	<u>Project Grant</u>	<u>Board</u>
<i>Revenues</i>			
Intergovernmental	\$	\$ 110,252	\$ 418,893
Charges for services			
Other revenue			
<i>Total revenues</i>	<u>0</u>	<u>110,252</u>	<u>418,893</u>
<i>Expenditures</i>			
General government			
Public works			81,939
Capital Outlay			<u>753,261</u>
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>835,200</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>110,252</u>	<u>(416,307)</u>
<i>Other financing sources (uses):</i>			
Transfers In			
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balances	0	110,252	(416,307)
Fund balances (deficits), beginning of year	<u>31,519</u>	<u>(446,763)</u>	<u>(993)</u>
Fund balances (deficits), end of year	<u>\$ 31,519</u>	<u>\$ (336,511)</u>	<u>\$ (417,300)</u>

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

CITY OF ESPANOLA, NEW MEXICO Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2011

	<u>State Water Project Grants</u>	<u>State Agency on Aging Grants</u>	<u>Totals</u>
Revenues			
Intergovernmental	\$ 31,328	\$ 76,264	\$ 2,850,984
Charges for services			22,173
Other revenue		<u>1,355</u>	<u>1,355</u>
<i>Total revenues</i>	<u>31,328</u>	<u>77,619</u>	<u>2,874,512</u>
Expenditures			
General government	7,898		692,144
Public works			81,939
Capital Outlay		<u>68,414</u>	<u>2,359,923</u>
<i>Total expenditures</i>	<u>7,898</u>	<u>68,414</u>	<u>3,134,006</u>
Excess (deficiency) of revenues over expenditures	<u>23,430</u>	<u>9,205</u>	<u>(259,494)</u>
Other financing sources (uses):			
Transfers In			<u>20,000</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>20,000</u>
Change in fund balances	23,430	9,205	(239,494)
Fund balances (deficits), beginning of year	<u>(3,260)</u>	<u>(18,162)</u>	<u>(567,257)</u>
Fund balances (deficits), end of year	<u>\$ 20,170</u>	<u>\$ (8,957)</u>	<u>\$ (806,751)</u>

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PLAZA DEVELOPMENT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ <u>56,525</u>	\$ <u>56,525</u>	\$ <u>5,649</u>	\$ <u>(50,876)</u>
<i>Total revenues</i>	<u>56,525</u>	<u>56,525</u>	<u>5,649</u>	<u>(50,876)</u>
Expenditures				
Current:				
General Government	53,468	53,468	28,592	24,876
Capital Outlay	<u>21,253</u>	<u>21,253</u>	<u>11,365</u>	<u>9,888</u>
<i>Total Expenditures</i>	<u>74,721</u>	<u>74,721</u>	<u>39,957</u>	<u>34,764</u>
Excess (deficiency) of revenues over expenditures	<u>(18,196)</u>	<u>(18,196)</u>	<u>(34,308)</u>	<u>(16,112)</u>
Other financing sources (uses)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Net Change in fund balances	1,804	1,804	(14,308)	(16,112)
Fund balances (deficits), July 01, 2010	<u>(112,753)</u>	<u>(110,101)</u>	<u>(10,002)</u>	<u>100,099</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (110,949)</u></u>	<u><u>\$ (108,297)</u></u>	<u><u>(24,310)</u></u>	<u><u>\$ 83,987</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(14,308)	
Revenue accruals			0	
Expenditure accruals			<u>(1)</u>	
Net change in fund balances GAAP basis			<u><u>\$ (14,309)</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS GRANT
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ <u>75,928</u>	\$ <u>618,155</u>	\$ <u>10,058</u>	\$ <u>(608,097)</u>
<i>Total revenues</i>	<u>75,928</u>	<u>618,155</u>	<u>10,058</u>	<u>(608,097)</u>
Expenditures				
Capital Outlay	<u>655,340</u>	<u>1,242,033</u>	<u>125,750</u>	<u>1,116,283</u>
<i>Total expenditures</i>	<u>655,340</u>	<u>1,242,033</u>	<u>125,750</u>	<u>1,116,283</u>
Excess (deficiency) of revenues over expenditures	<u>(579,412)</u>	<u>(623,878)</u>	<u>(115,692)</u>	<u>508,186</u>
Net Change in fund balances	(579,412)	(623,878)	(115,692)	508,186
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>1,058,281</u>	<u>1,058,281</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (579,412)</u></u>	<u><u>\$ (623,878)</u></u>	<u>942,589</u>	<u><u>\$ 1,566,467</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(115,692)	
Revenue accruals			20,144	
Expenditure accruals			<u>(179,610)</u>	
Net change in fund balances GAAP basis			<u><u>\$ (275,158)</u></u>	

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

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Intergovernmental	\$ <u>1,243,148</u>	\$ <u>1,685,678</u>	\$ <u>164,670</u>	\$ <u>(1,521,008)</u>
<i>Total revenues</i>	<u>1,243,148</u>	<u>1,685,678</u>	<u>164,670</u>	<u>(1,521,008)</u>
Expenditures				
Current:				
General Government		55,000		55,000
Capital outlay	<u>1,236,909</u>	<u>1,676,490</u>	<u>290,295</u>	<u>1,386,195</u>
<i>Total expenditures</i>	<u>1,236,909</u>	<u>1,731,490</u>	<u>290,295</u>	<u>1,441,195</u>
Excess (deficiency) of revenues over expenditures	<u>6,239</u>	<u>(45,812)</u>	<u>(125,625)</u>	<u>(79,813)</u>
Net Change in fund balances	6,239	(45,812)	(125,625)	(79,813)
Fund balances (deficits), July 01, 2010	<u>1,498</u>	<u>1,498</u>	<u>(164,308)</u>	<u>(165,806)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 7,737</u>	<u>\$ (44,314)</u>	<u>(289,933)</u>	<u>\$ (245,619)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			(125,625)	
Revenue accruals			329,819	
Expenditure accruals			<u>(255,520)</u>	
Net change in fund balances GAAP basis			<u>\$ (51,326)</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NMDOT GRANT
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ <u>4,289,093</u>	\$ <u>4,680,356</u>	\$ <u>568,143</u>	\$ <u>(4,112,213)</u>
<i>Total revenues</i>	<u>4,289,093</u>	<u>4,680,356</u>	<u>568,143</u>	<u>(4,112,213)</u>
Expenditures:				
Capital outlay	<u>2,934,019</u>	<u>3,218,526</u>	<u>688,595</u>	<u>2,529,931</u>
<i>Total expenditures</i>	<u>2,934,019</u>	<u>3,218,526</u>	<u>688,595</u>	<u>2,529,931</u>
Excess (deficiency) of revenues over expenditures	<u>1,355,074</u>	<u>1,461,830</u>	<u>(120,452)</u>	<u>(1,582,282)</u>
Net Change in fund balances	1,355,074	1,461,830	(120,452)	(1,582,282)
Fund balances (deficits), July 01, 2010	<u>(18)</u>	<u>(18)</u>	<u>(1,057,726)</u>	<u>(1,057,708)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 1,355,056</u>	<u>\$ 1,461,812</u>	<u>(1,178,178)</u>	<u>\$ (2,639,990)</u>
Reconciliation to GAAP Basis:				
Net change in fund balances			(120,452)	
Revenue accruals			1,137,937	
Expenditure accruals			<u>(606,109)</u>	
Net change in fund balances GAAP basis			<u>\$ 411,376</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS ESP 8
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Capital outlay	<u>36,657</u>	<u>36,657</u>	<u>36,657</u>	<u> </u>
<i>Total expenditures</i>	<u>36,657</u>	<u>36,657</u>	<u>36,657</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>(36,657)</u>	<u>(36,657)</u>	<u>(36,657)</u>	<u>0</u>
Net Change in fund balances	(36,657)	(36,657)	(36,657)	0
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (36,657)</u></u>	<u><u>\$ (36,657)</u></u>	<u><u>(36,657)</u></u>	<u><u>\$ 0</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(36,657)	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u><u>\$ (36,657)</u></u>	

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

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Intergovernmental	\$ <u>277,174</u>	\$ <u>297,805</u>	\$ <u>36,715</u>	\$ <u>(261,090)</u>
<i>Total revenues</i>	<u>277,174</u>	<u>297,805</u>	<u>36,715</u>	<u>(261,090)</u>
Expenditures				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>277,174</u>	<u>297,805</u>	<u>36,715</u>	<u>(261,090)</u>
Net Change in fund balances	277,174	297,805	36,715	(261,090)
Fund balances (deficits), July 01, 2010	<u>(60)</u>	<u>(60)</u>	<u>(436,431)</u>	<u>(436,371)</u>
Fund balances (deficits), June 30, 2011	<u>\$ 277,114</u>	<u>\$ 297,745</u>	<u>(399,716)</u>	<u>\$ (697,461)</u>
Reconciliation to GAAP Basis				
Net change in fund balances			36,715	
Revenue accruals			73,537	
Expenditure accruals			<u>0</u>	
Net change in fund balances GAAP basis			<u>\$ 110,252</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NMFA TRUST BOARD
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>1,053,099</u>	\$ <u>1,131,483</u>	\$ <u>139,496</u>	\$ <u>(991,987)</u>
<i>Total revenues</i>	<u>1,053,099</u>	<u>1,131,483</u>	<u>139,496</u>	<u>(991,987)</u>
Expenditures				
Capital outlay	<u>1,892,705</u>	<u>2,029,780</u>	<u>444,205</u>	<u>1,585,575</u>
<i>Total expenditures</i>	<u>1,892,705</u>	<u>2,029,780</u>	<u>444,205</u>	<u>1,585,575</u>
Excess (deficiency) of revenues over expenditures	<u>(839,606)</u>	<u>(898,297)</u>	<u>(304,709)</u>	<u>593,588</u>
Net Change in fund balances	(839,606)	(898,297)	(304,709)	593,588
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>(993)</u>	<u>(993)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ (839,606)</u></u>	<u><u>\$ (898,297)</u></u>	<u><u>(305,702)</u></u>	<u><u>\$ 592,595</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(304,709)	
Revenue accruals			279,397	
Expenditure accruals			<u>(390,995)</u>	
Net change in fund balances GAAP basis			<u><u>\$ (416,307)</u></u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>78,759</u>	\$ <u>84,621</u>	\$ <u>10,433</u>	\$ <u>(74,188)</u>
<i>Total revenues</i>	<u>78,759</u>	<u>84,621</u>	<u>10,433</u>	<u>(74,188)</u>
Expenditures				
Capital outlay	<u>17,898</u>	<u>19,194</u>	<u>4,201</u>	<u>14,993</u>
<i>Total expenditures</i>	<u>17,898</u>	<u>19,194</u>	<u>4,201</u>	<u>14,993</u>
Excess (deficiency) of revenues over expenditures	<u>60,861</u>	<u>65,427</u>	<u>6,232</u>	<u>(59,195)</u>
Net Change in fund balances	60,861	65,427	6,232	(59,195)
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>(3,260)</u>	<u>(3,260)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 60,861</u></u>	<u><u>\$ 65,427</u></u>	<u>2,972</u>	<u><u>\$ (62,455)</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			6,232	
Revenue accruals			20,895	
Expenditure accruals			<u>(3,697)</u>	
Net change in fund balances GAAP basis			<u><u>\$ 23,430</u></u>	

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

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	\$ <u>191,728</u>	\$ <u>205,999</u>	\$ <u>25,397</u>	\$ <u>(180,602)</u>
<i>Total revenues</i>	<u>191,728</u>	<u>205,999</u>	<u>25,397</u>	<u>(180,602)</u>
Expenditures				
Capital outlay	<u>155,040</u>	<u>166,268</u>	<u>36,387</u>	<u>129,881</u>
<i>Total expenditures</i>	<u>155,040</u>	<u>166,268</u>	<u>36,387</u>	<u>129,881</u>
Excess (deficiency) of revenues over expenditures	<u>36,688</u>	<u>39,731</u>	<u>(10,990)</u>	<u>(50,721)</u>
Net Change in fund balances	36,688	39,731	(10,990)	(50,721)
Fund balances (deficits), July 01, 2010	<u>0</u>	<u>0</u>	<u>(18,162)</u>	<u>(18,162)</u>
Fund balances (deficits), June 30, 2011	<u><u>\$ 36,688</u></u>	<u><u>\$ 39,731</u></u>	<u><u>(29,152)</u></u>	<u><u>\$ (68,883)</u></u>
Reconciliation to GAAP Basis				
Net change in fund balances			(10,990)	
Revenue accruals			52,222	
Expenditure accruals			<u>(32,027)</u>	
Net change in fund balances GAAP basis			<u><u>\$ 9,205</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - UTILITY ASSET MANAGEMENT
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
<i>Total expenditures</i>	<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>0</u>	<u>0</u>
Change in Net Assets	0	0	0	0
Net assets, beginning of year	<u>(75,000)</u>	<u>(75,000)</u>	<u>(10,474)</u>	<u>64,526</u>
Net Assets, end of year	<u><u>\$ (75,000)</u></u>	<u><u>\$ (75,000)</u></u>	<u>(10,474)</u>	<u><u>\$ 64,526</u></u>
Reconciliation to GAAP Basis				
Change in Net assets			0	
Revenue accruals			0	
Expenditure accruals			<u>(38,595)</u>	
Change in Net assets GAAP basis			<u><u>\$ (38,595)</u></u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SOLID WASTE
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues				
Charges for services	\$ 687,848	\$ 687,848	\$ 795,939	\$ 108,091
<i>Total revenues</i>	687,848	687,848	795,939	108,091
Expenditures				
Services and supplies	638,943	638,943	686,951	(48,008)
<i>Total expenditures</i>	638,943	638,943	686,951	(48,008)
Excess (deficiency) of revenues over expenditures	48,905	48,905	108,988	60,083
Other financing sources (uses)				
Transfers Out	(31,662)	(31,662)	(31,662)	
<i>Total other financing sources (uses)</i>	(31,662)	(31,662)	(31,662)	0
Change in Net Assets	17,243	17,243	77,326	60,083
Net assets, beginning of year	64,651	64,651	387,785	323,134
Net Assets, end of year	\$ 81,894	\$ 81,894	465,111	\$ 383,217
Reconciliation to GAAP Basis				
Change in Net assets			77,326	
Revenue accruals			0	
Expenditure accruals			(150,777)	
Change in Net assets GAAP basis			\$ (73,451)	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -WATER AND WASTEWATER
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 4,174,521	\$ 4,185,091	\$ 4,416,219	\$ 231,128
Intergovernmental	306,272	306,272	197,408	(108,864)
Miscellaneous	<u>39,978</u>	<u>39,978</u>	<u>39,978</u>	<u> </u>
<i>Total revenues</i>	<u>4,520,771</u>	<u>4,531,341</u>	<u>4,653,605</u>	<u>122,264</u>
Expenditures				
Payroll and benefits	1,337,160	1,337,160	1,126,711	210,449
Services and supplies	<u>1,690,506</u>	<u>1,690,506</u>	<u>1,424,696</u>	<u>265,810</u>
<i>Total expenditures</i>	<u>3,027,666</u>	<u>3,027,666</u>	<u>2,551,407</u>	<u>476,259</u>
Excess (deficiency) of revenues over expenditures	<u>1,493,105</u>	<u>1,503,675</u>	<u>2,102,198</u>	<u>598,523</u>
Other financing sources (uses)				
Transfers in	425,799	470,799	470,800	1
Transfers Out	<u>(1,898,630)</u>	<u>(1,898,630)</u>	<u>(1,898,630)</u>	<u> </u>
<i>Total other financing sources (uses)</i>	<u>(1,472,831)</u>	<u>(1,427,831)</u>	<u>(1,427,830)</u>	<u>1</u>
Change in Net Assets	20,274	75,844	674,368	598,524
Net assets, beginning of year	<u>21,270</u>	<u>21,270</u>	<u>7,620,667</u>	<u>7,599,397</u>
Net Assets, end of year	<u>\$ 41,544</u>	<u>\$ 97,114</u>	<u>8,295,035</u>	<u>\$ 8,197,921</u>
Reconciliation to GAAP Basis				
Change in Net assets			674,368	
Revenue accruals			13,234	
Expenditure accruals			<u>(1,023,977)</u>	
Change in Net assets GAAP basis			<u>\$ (336,375)</u>	

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>JUDICIAL</u>				
Assets:				
Cash and investments	\$ <u>(2,233)</u>	\$ <u>48,656</u>	\$ <u>52,063</u>	\$ <u>(5,640)</u>
Total assets	<u>(2,233)</u>	<u>48,656</u>	<u>52,063</u>	<u>(5,640)</u>
Liabilities:				
Deposits held for others	<u>(2,233)</u>	<u>48,656</u>	<u>52,063</u>	<u>(5,640)</u>
Total liabilities	<u><u>(2,233)</u></u>	<u><u>48,656</u></u>	<u><u>52,063</u></u>	<u><u>(5,640)</u></u>
<u>COURT BOND ACCOUNT</u>				
Assets:				
Cash and investments	\$ <u>145,245</u>	\$ <u>255,376</u>	\$ <u>280,076</u>	\$ <u>120,545</u>
Total assets	<u>145,245</u>	<u>255,376</u>	<u>280,076</u>	<u>120,545</u>
Liabilities:				
Deposits held for others	<u>415,064</u>	<u>255,376</u>	<u>549,895</u>	<u>120,545</u>
Total liabilities	<u><u>415,064</u></u>	<u><u>255,376</u></u>	<u><u>549,895</u></u>	<u><u>120,545</u></u>
<u>UTILITY ACCOUNT</u>				
Assets:				
Cash and investments	\$ <u>219,903</u>	\$ <u>27,073</u>	\$ <u>669</u>	\$ <u>246,307</u>
Total assets	<u>219,903</u>	<u>27,073</u>	<u>669</u>	<u>246,307</u>
Liabilities:				
Deposits held for others	<u>220,233</u>	<u>26,743</u>	<u>669</u>	<u>246,307</u>
Total liabilities	<u><u>220,233</u></u>	<u><u>26,743</u></u>	<u><u>669</u></u>	<u><u>246,307</u></u>
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ <u>362,915</u>	\$ <u>331,105</u>	\$ <u>332,808</u>	\$ <u>361,212</u>
Total assets	<u>362,915</u>	<u>331,105</u>	<u>332,808</u>	<u>361,212</u>
Liabilities:				
Deposits held for others	<u>633,064</u>	<u>330,775</u>	<u>602,627</u>	<u>361,212</u>
Total liabilities	<u><u>633,064</u></u>	<u><u>330,775</u></u>	<u><u>602,627</u></u>	<u><u>361,212</u></u>

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

OTHER SUPPLEMENTAL INFORMATION

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2011**

	<u>Valley National Bank</u>	<u>Community Bank</u>
Bank Accounts:		
Checking/Demand Accounts	\$ 2,475,066	\$ 3,278
Certificates of deposit	<u>2,771,929</u>	<u> </u>
Total amount of deposits in bank	5,246,995	3,278
Less: FDIC coverage	<u>250,000</u>	<u>3,278</u>
Total uninsured public funds	<u>4,996,995</u>	<u>0</u>
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978)		
50% of uninsured time and demand accounts	<u>2,498,498</u>	<u>0</u>
Pledged collateral:		
FHLMC FHR 1379 W, matures October 15, 2022, CUSIP 312912JK5	26,022	
FNMA Pool #60591, matures January 1, 2018, CUSIP 31362GKC4	30,012	
FNMA Pool #800447, matures October 1, 2034, CUSIP 31405VHY6	443,308	
FHLMC Freddienotes, matures December 15, 2024, CUSIP 3133F4LB5	997,963	
FHLB Callable, matures September 30, 2030, CUSIP 313370ZL5	2,424,345	
Espanola N Mex Pub Sch Dist, CUSIP 296628BJ8	255,074	
FNMA #MA0534, CUSIP 31417YSY4	1,464,533	
US Treasury Bond, CUSIP 912833QB9	500,938	
McKinley Snty N Mex Gross Rcpt, CUSIP 581615DG3	142,152	
Santa Fe N Mex, CUSIP 802071HB9	<u>268,165</u>	
Total collateral	<u>6,552,512</u>	<u>0</u>
Over / (under) secured	<u>4,054,014</u>	<u>0</u>
Custodial Credit Risk:		
Collateralized with securities held by pledging financial institutions trust department	<u>4,996,995</u>	<u> </u>
Total deposits	<u>\$ 4,996,995</u>	<u>\$ 0</u>

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

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2011

<u>Bank Account Type / Name</u>	<u>Valley National Bank</u>	<u>Community Bank</u>	<u>New Mexico State Treasurer</u>	<u>Bank of Albuquerque</u>	<u>Total</u>
Checking - General	\$ 1,180,463	\$	\$	\$	\$ 1,180,463
Checking - General		3,278			3,278
Checking - Payroll	43,927				43,927
Checking - Bond Account	93,742				93,742
Checking - Families for Each Other	73				73
Checking - Fire/Police Fund Dr	97,137				97,137
Checking - Restricted Account	908,271				908,271
Checking - E-911	151,453				151,453
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
Investment - LGIP			7,213		7,213
Investment - LGIP Reserve Contingency			1,762,929		1,762,929
Investment - Espanola NM Muni Grt Ds Resvr				375,417	375,417
Investment - Espanola NM Muni Grt Ds Acct				53,753	53,753
Investment - Espanola NM Muni Infr Income FD				161,186	161,186
Total on deposit	<u>5,246,995</u>	<u>3,278</u>	<u>1,770,142</u>	<u>590,356</u>	<u>7,610,771</u>
Reconciling items	(147,577)				(147,577)
Unreconciling items					1,363,322
Total deposits and investments	<u>\$ 5,099,418</u>	<u>\$ 3,278</u>	<u>\$ 1,770,142</u>	<u>\$ 590,356</u>	<u>\$ 8,826,516</u>

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

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
Honourable 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, 2011, and have issued our report thereon dated July 09, 2014. Due to the City's deficiencies in internal control and lack of adequate accounting records relating to its cash transactions, capital assets, revenues, and expenditures, the scope of our work was not sufficient to enable us to express, and we did not express, opinions on these opinion units.

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 08-03, FS 08-04, FS 10-03, FS 10-04, FS 11-03, FS 11-05 & FS 11-06 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 10-01 and FS 11-02 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, FS 11-01 & FS 11-04.

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, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Mr. Hector H. Balderas
New Mexico State Auditor
Honourable 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 (the "City") 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 the City's major federal programs for the year ended June 30, 2011. The City's major federal program is 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 the City's management.

Management is still in the process of designing and implementing the policies and procedures needed to capture, records and present federal expenditures accurately and completely. We were not able to obtain sufficient evidence to substantiate the account balances of cash, capital assets, revenues and expenditures of each major program. We were also unable to obtain sufficient documentation supporting the compliance of the City with any potential major programs regarding compliance requirements, nor were we able to support the City's compliance through use of other auditing procedures.

As the City 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, 2011. Therefore, we do not express an opinion on whether the city complied with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City 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 the City'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'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'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 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, 2014

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass- Through Grantor/ Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Justice</u>			
Direct programs:			
The Weed and Seed Program	2008-WS-QX-0173	16.595	\$ 13,413
COPs Hiring Recovery Program	2009RKWX0640	16.710	40,912
Edward Byrne Memorial Justice Assistance Grant	2008-DJ-BX-0482	16.710	12,434
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	RA-JAG-Espanola-SFY10	16.803	<u>56,845</u>
Total U.S. Department of Justice			<u>123,604</u>
<u>U.S. Department of Energy</u>			
Direct programs:			
Energy Efficiency and Conservation Block Grant Program	10-521R1DOE00002-0209	81.128	<u>541,480</u>
Total U.S. Department of Energy			<u>541,480</u>
Total Expenditures of Federal Awards			<u>\$ 665,084</u>

See accompanying notes to the schedule.

CITY OF ESPANOLA, NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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. which is the same basis as was used to prepare the fund financial statements. 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. Therefore, some amounts presented in this schedule may differ from amount presented in. or used in the preparation of the financial statements.

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 2011 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	\$ 665,084
Total expenditures funded by other sources	<u>17,599,146</u>
Total expenditures	<u>\$ 18,264,230</u>

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Disclaimer</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Noncompliance material to the financial statement noted	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditors' report issued on compliance for major programs:	<u>Disclaimer</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Numbers	Name of Federal Program or Cluster
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000	
Auditee qualified as low risk auditee	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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:			
DWI Program Enforcement (123)	\$	\$ 28,862	\$ (28,862)
Proprietary Fund:			
Solid Waste (510)	638,943	686,951	(48,008)

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 agrees with the finding. The City Finance Department failed to enter a budget for the grant award DWI Program Enforcement. The City Finance Department failed to increase the budget for the Solid Waste Propriety Fund.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 03-01 Non Compliance - Late Audit Report

CONDITION

The City did not submit 2011 annual financial report by the required deadline of December 01, 2011. The Report was submitted by City on August 22, 2014.

CRITERIA

Per 2.2.2.9A (1) NMAC, the City was required to submit its fiscal year 2010-11 annual financial report to the New Mexico State Auditor by December 01, 2011.

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 prior year's audit report was not submitted timely to the State Auditor's Office. The situation led to the current year's audit report not being submitted timely.

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 agrees with the finding. The City is in the process of trying to get caught up with their audit report filings with the Office of the State Auditor, it has contracted with an approved IPA through FY2014.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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>Statement Balance</u>	<u>Reconciled Balance</u>	<u>TB Balance</u>
Valley National Bank	General Account	\$ 1,180,463	\$1,210,622	\$ 1,210,527
Valley National Bank	Payroll clearing Account	43,927	(11,213)	(8,234)
Valley National Bank	CD - General (Investment Reserve)	58,929	58,929	58,976

The City did not provide documentation in support for the cash and investment accounts, which amounted to \$1,245,541.

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

The City's Finance Department is current with its bank reconciliations except for the General Operating account which is still 2 months behind. There are some minor differences reported in the trial balance which will be corrected.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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 that for three out of 30 subsequent disbursements selected for testing, with total amount of \$12,905, 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.

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.

RECOMMENDATION

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 has modified its process to ensure that official City documents are retained appropriately. The City Finance Department will not process payment without proper supporting documentation in the future.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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

The City of Espanola did not have a grant administrator for the period between April 2011 and September 2011. In the future, the City Finance Department will use a checklist and assign various staff to review elements of the audit report and financial statements.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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 Finance Department currently has a process to identify and adjust items for year-end accrual or deferral. The Finance Department will formalize its process and disseminate it to staff for the future.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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, revealed that in one timesheet, the required authorizing signature was missing.

CRITERIA

The City is responsible for developing an effective system of internal control over the payroll process designed to prevent or detect the occurrence of unauthorized actions. Segregation of duties in payroll, the existence of an appropriate pay rate schedule, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

EFFECT

Payroll related account balances and transaction classes may be materially misstated. In addition, unauthorized and fraudulent payroll transactions may have occurred. Further, the City is not in compliance with New Mexico State Statutes.

CAUSE

The City's document approval 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's payroll process currently ensures that all timesheets are signed by the employee and their supervisors' prior to processing payroll.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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

CONDITION

Number of City's funds had actual fund balance deficits at June 30, 2011.

Major Funds:	
General Fund	\$ 2,822,762
NMFA WWW Debt Service	945,816
Non-Major Funds:	
Bullet Proof Vest Grant	16,206
Operation Buckle Down	12,961
G.R.E.A.T. Grant	11,691
COPS in Schools Grant	214,183
Operation DWI State Grant	684
Transit System Grant	142,464
Summer Lunch Program	45,610
Click It or Ticket	903
Wildland Grant	6,622
Law Enforcement Technology Grant	14,055
Firefighters	74,668
DWI Program Enforcement	20,462
Public Safety Grants	24,655
E-911 Grant	5,454
Lodgers' Tax	10,663
U.S. Bureau of Reclamation	38,003
NM DOT Litter Control and Beautification	4,767
NM DOT Grant	646,350
NMFA DWSRF Debt Service	711,704
USDA Loan / Police Department	109,411
Plaza Development	24,311
NMLA Capital Improvements Grant	215,634
USDA Grants	22,428
Capital Project Esp 8	36,657
Federal W/WW Project Grant	336,511
NMFA Trust Board	417,300
State Agency on Aging Grants	8,957

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, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 08-07 Non Compliance - Deficits in Budgeted and Actual Fund Balances (Cont'd)

EFFECT

The City had a deficit in budgeted fund balances in several funds at June 30, 2011. 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's Finance Department does not budget deficits, however deficits in fund balances for some funds have existed due to previous years activity rolling forward.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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

CONDITION

In 3 out of 28 travel expenditures tested, supporting documents were not retained to the expenditures. The amount of unsupported expenditures totaled \$398.

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. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

CAUSE

Unknown. The City was unable to locate the documents.

RECOMMENDATION

We recommend that the City retain all check copies for the records along with the voucher that it relates to and strengthen its document retention process.

AGENCY RESPONSE

The City Finance Department follows the NMAC Mileage and Per Diem act for processing travel reimbursements. Finance staff works diligently to file and retain City records. The Finance Department will work to ensure all financial supporting documents are retained and secured.

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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 applicable proof of payment, internal controls over bank reconciliation, schedule of payroll accruals and government receivables as of June 30, 2011. The City could not provide 941's form for all quarters of the fiscal year under audit. There is a lack of internal controls over capital assets, stale checks, journal entries.

Data underlying the financial statements are not captured completely, accurately, and timely, in accordance with the City's policies and procedures and in compliance with laws and regulations. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the City's control processes to support the achievement of financial reporting objectives.

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 2011, 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 Finance Department continues to improve its processes to ensure that the financial activity reflected in the trial balance is adequately supported by authorized and approved transaction documents.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

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

CONDITION

The City did not record prior year adjusting journal entries amounting \$10,199,862 (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, 2011.

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 did not have the adjusting journal entries prepared by the auditor for the FY2010 audit prior to the beginning of the FY2011 audit fieldwork. The Finance Department will adjust the trial balance to include the auditors' adjustments in the future.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-01 Non Compliance - PERA and RHC Compliance

CONDITION

During our testwork over compliance with the Public Employee Retirement Association's (PERA) requirements and the Retiree Health Care Act (RHC), we noted the City was unable to produce any documentation supporting its contributions to PERA for the pay period ending 10/29/2010, 12/10/2010 and 01/07/2011.

In addition, we noted the total amount of City matching portion reported to PERA and RHC were \$976,066 and \$121,134 respectively however the general ledger indicated total amount of \$1,071,214 and 152,159 respectively.

CRITERIA

New Mexico state auditor rule 2.2.2.10 (7) requires auditors to test to ensure 100% of payroll is reported PERA and RHC.

Public Employees Retirement Association rule 2.8.5008 Remittance of Contributions requires each public employer be responsible for deducting the applicable contribution from the salary or wages paid to each member for each payroll period. The employer is responsible for transmitting to PERA the member and employer contributions for every member in its employment for each pay period on or before the fifth working day following the payday applicable to the pay period.

EFFECT

Total contributions due to the Public Employees Retirement Fund or Retiree Health Care Fund may not have been accurately reported or remitted.

CAUSE

The City does not have a reconciliation process for balancing the amount paid to what is reported to PERA.

RECOMMENDATION

We recommend the City retain all documentation necessary to support PERA and RHC contributions and report 100% of wages to PERA as required.

AGENCY RESPONSE

The City Finance Department will improve its process to ensure retention of all documents for the financial transactions of the City of Espanola.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-02 Significant Deficiency - Internal Controls Over Journal Entries

CONDITION

During the journal entry testwork, it was noted in five out of 20 samples for an amount of \$15,068 there was no supporting documentation maintained by the accountant to validate the entry.

CRITERIA

Good accounting practices state that journal entries should be supported and then approved by someone in management.

EFFECT

Without proper review of these journal entries, errors or irregularities could go undetected and cause financial statements to be misstated. The City may be at risk for fraudulent activity without a proper review process over journal entries.

CAUSE

The City had limited knowledgeable staff that is able to review journal entries. As a result, proper controls over journal entries have not been maintained.

RECOMMENDATION

The City should update their policies and procedures manual regarding the review and approval of journal entries and implement a procedure to insure journal entries are reviewed, approved and supported.

AGENCY RESPONSE

The City Finance Department will improve its process to ensure that all journal entries are supported and retained for audit and review purposes.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-03 Material Weakness - Insufficient Capital Asset Support

CONDITION

The City does not have adequate procedures in place in order to provide capital assets schedules required for financial reporting purposes. The City also did not calculate depreciation expense for fiscal year 2010-11. The amounts reported in the financial statements are estimated, and current year capital outlay expenditures/expenses were not analyzed for capitalization.

Additionally, as part of our audit, we tested capital asset tracking and recording. We noted that the City is not comparing capital asset listing to current insurance schedules to ensure the listing is accurate and complete. The City did not perform a physical inventory of its capital assets.

CRITERIA

Governmental Accounting Standards No. 34, Basic Financial Statements and Management's Discussion and Analysis —for State and Local Governments, details the requirements to track and report capital assets.

Section 12-6-10, NMSA 1978, requires the City to conduct an annual physical inventory of movable chattels and equipment, certify the correctness of that inventory, and provide a copy of it to the City's auditors.

EFFECT

The amounts reported for capital assets are likely materially misstated. A disclaimer opinion was issued on the City's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the capital assets balances and related accounts. In addition, the City is not in compliance with Section 12-6-10 NMSA 1978.

CAUSE

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

RECOMMENDATION

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

AGENCY RESPONSE

The City Finance Department is making progress in its process to identify, tag and inventory all capital assets and its year end process of calculating and posting accurate depreciation expense for the fiscal year. Currently this process is providing accurate depreciation information and annual inventories are being conducted.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-04 Non Compliance - Late Submission of IPA Recommendation Form and Audit Contract

CONDITION

The City did not submit the IPA recommendation form and audit contract to the State Auditor by the required deadline of May 15, 2011. The contract was prepared on May 30, 2013 and approved by the State Auditor's office on August 19, 2013.

CRITERIA

As indicated in Section 2.2.2.8(B) NMAC, 13.1.130 NMSA 1978, and 13-1-117.1 NMSA 1978, the City shall submit the completed IPA Recommendation Form for Audits and the completed and signed audit contract to the State Auditor for approval by May 15.

EFFECT

The City was not in compliance with the New Mexico State Audit Rule 2.2.2.8(B), 13.1.130 NMSA 1978, and 13-1-117.1 NMSA 1978.

CAUSE

The City's audit report was submitted late in the prior year.

RECOMMENDATION

The City's management should ensure IPA recommendation form and contract be executed and be submitted to New Mexico Office of the State Auditor for review and approval on a timely manner.

AGENCY RESPONSE

The City agrees with the finding. The City is working on getting all the outstanding audits completed and submitted to the Office of the Office of the State Auditor

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-05 Material Weakness - Adjustments Made To Fund Balance Accounts

CONDITION

Numerous unsubstantiated journal entries related to account payable and accrued liabilities were made to the fund balance accounts to many of the active funds. The entries amounted to \$1,044,830 that had no support and affected accounts throughout the fund's trial balance.

CRITERIA

It is not good accounting practice to post adjustments through a fund balance account. Only substantiated prior period adjustments should be posted to fund balance.

EFFECT

The balance in fund balance does not roll from one fiscal year to another. Many of the entries were used to clear out payables and receivables without substantiation of the adjustment. The balance sheet does not agree to any detail ledgers and is therefore unreliable.

CAUSE

The City did not have policies and procedures in place to ensure adjustments made to fund balance were substantiated with supporting documentation.

RECOMMENDATION

Finance staff should cease making entries to fund balance unless they are valid prior period adjustments.

AGENCY RESPONSE

The City Finance Department will ensure that any adjustments to the trial balance are supported with documentation and explanation of the reason for the adjustment.

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS (Cont'd)

FS 11-06 Material Weakness - Preparation of Financial Statements

CONDITION

The auditor prepared the financial statements for the City because City staff does not have the adequate training or experience to prepare financial statements.

CRITERIA

The Auditing Standards Board has issued *Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit* (SAS 115). The new standard provides guidance to auditors on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. The standard requires the auditor to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.

SAS 115 provides examples of circumstances that may be control deficiencies, significant deficiencies or material weaknesses (these terms are defined in the report on internal control above). One of the examples provided by SAS 115 is:

Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

SAS 115 indicates that a lack of qualifications to prepare the financial statements is a control deficiency.

EFFECT

The City's management and accounting staff may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

CAUSE

The City's accounting staff has not been trained on Governmental Accounting Standards and the related procedures to prepare financial statements.

RECOMMENDATION

We recommend that City employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

AGENCY RESPONSE

The City Finance Department does not have the time to prepare the financial statements and therefore, contracts for the services.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

FA 03-01 Material Weakness - Late Audit Report

Program Name: Energy Efficiency and Conservation Block Grant Program
Questioned Costs: Unknown
CFDA Number: 81.128
Grantor Number: Unavailable
Funding Agency: U.S. Department of Energy

CONDITION

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

CRITERIA

Section 320(a) Circular A-133, requires that the single audit reporting package 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 is on track to catch up with the late audits and the late submission to the Federal Clearing House.

**CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS-
(Cont'd)**

FA 10-01 Material Weakness - Suspension and Debarment

Program Name: Energy Efficiency and Conservation Block Grant Program
Questioned Costs: Unknown
CFDA Number: 81.128
Grantor Number: Unavailable
Funding Agency: U.S. Department of Energy

CONDITION

The City could not provide supporting documents for eight items out of twenty tested.

CRITERIA

According to CFR 34 and 85 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 of Espanola agrees with the finding and does currently retain documentation to support the verification that vendors on federal projects are not on the suspended or debarred listing.

CITY OF ESPANOLA, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS-
(Cont'd)

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

Program Name: Energy Efficiency and Conservation Block Grant Program
Questioned Costs: Undeterminable
CFDA Number: 81.128
Grantor Number: Unavailable
Funding Agency: U.S. Department of Energy

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. Further, the City is unsure if all federal programs have been reported on SEFA.

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 currently has all grants identified by their funding source.

CITY OF ESPANOLA, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

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 05-19	Cash Controls and Monitoring - Repeated & Modified - See finding FS 05-19
FS 05-52	Lack of Internal Control over Expenditures - Repeated & Modified - See finding FS 05-52
FS 08-01	Accounts Receivables Records and Procedures - 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 - Repeated & Modified - See finding FS 08-05
FS 08-07	Deficits in Budgeted and Actual Fund Balances - Repeated - See finding FS 08-07
FS 09-01	Lack of formal Information Technology Policies - Resolved
FS 10-01	Lack of Internal Control over Travel Expense - Repeated & Modified - See finding FS 10-01
FS 10-02	Violation of Open Meeting Act - Resolved
FS 10-03	Deficiencies in Internal Control Structure Design, Operation, and Oversight - Repeated & Modified - See finding FS 10-03
FS 10-04	PY AJE's not recorded in Trial Balance - Repeated & Modified - See finding FS 10-04
FS 10-05	Allowance for Doubtful Accounts - Resolved
FA 03-01	Late Audit Report - Repeated- See finding FA 03-01
FA 10-01	Suspension and Debarment- Repeated- See finding FA 10-01
FA 10-02	Schedule of Expenditures of Federal Awards (SEFA) - Repeated- See finding FA 10-02

**CITY OF ESPANOLA, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2011**

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, 2014, 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