



State of New Mexico
CITY OF ESPAÑOLA
Annual Financial Report
June 30, 2012



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INTRODUCTORY SECTION

STATE OF NEW MEXICO

City of Espanola

Table of Contents

June 30, 2012

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4-6
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-11
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	14-15
Statement of Activities	A-2	16-17
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	18
Reconciliation of the Balance Sheet to the Statement of Net Assets		19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	B-2	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		21
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	C-1	23
Statement of Net Assets-Proprietary Funds	D-1	24
Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds	D-2	25
Statement of Cash Flows –Proprietary Funds	D-3	26
Statement of Fiduciary Assets and Liabilities – Agency Funds	E-1	27
 NOTES TO THE FINANCIAL STATEMENTS		 28-53
SUPPLEMENTARY INFORMATION		
	<u>Statement</u>	<u>Page</u>
Nonmajor Governmental Fund Descriptions		56-59
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	60-71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	72-83
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual Governmental Funds:		
Recreation Special Revenue Fund	B-1	84
Teen Court Special Revenue Fund	B-2	85
Weed and Seed Grant Special Revenue Fund	B-3	86
Bullet Proof Vest Grant Special Revenue Fund	B-4	87
Operation Buckle Down Special Revenue Fund	B-5	88
G.R.E.A.T. Grant Special Revenue Fund	B-6	89
COPS in Schools Grant Special Revenue Fund	B-7	90
Byrne Justice Assistance Grant Special Revenue Fund	B-8	91
Operation DWI State Grant Special Revenue Fund	B-9	92
Library Grant Special Revenue Fund	B-10	93
Transit System Grant Special Revenue Fund	B-11	94

STATE OF NEW MEXICO

City of Espanola

Table of Contents

June 30, 2012

	<u>Statement/Schedule</u>	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Summer Lunch Program Special Revenue Fund	B-12	95
Click It or Ticket Special Revenue Fund	B-13	96
EMS Special Revenue Fund	B-14	97
Wildland Grant Special Revenue Fund	B-15	98
Law Enforcement Technology Special Revenue Fund	B-16	99
Firefighters Special Revenue Fund	B-17	100
Days and Nights of Summer Special Revenue Fund	B-18	101
DWI Program Enforcement Special Revenue Fund	B-19	102
Public Safety Grants Special Revenue Fund	B-20	103
E-911 Grant Special Revenue Fund	B-21	104
Fire Protection Special Revenue Fund	B-22	105
Roads and Streets Special Revenue Fund	B-23	106
Law Enforcement Protection Special Revenue Fund	B-24	107
Fire Discretionary Special Revenue Fund	B-25	108
Lodgers' Tax Special Revenue Fund	B-26	109
Lodgers' Tax Promotional Special Revenue Fund	B-27	110
Fiesta Council Special Revenue Fund	B-28	111
U.S. Bureau of Reclamation Special Revenue Fund	B-29	112
NMDOT Litter Control and Beautification Special Revenue Fund	B-30	113
Municipal Service Improvements Special Revenue Fund	B-31	114
Plaza Development Capital Projects Fund	B-32	115
Capital Projects Grants Capital Projects Fund	B-33	116
NMLA Capital Improvements Grant Capital Projects Fund	B-34	117
NM DOT Grant Capital Projects Fund	B-35	118
USDA Grants Capital Projects Fund	B-36	119
Capital Projects Esp 8 Capital Projects Fund	B-37	120
Infrastructure Projects Capital Projects Fund (Major)	B-38	121
NM SAP W/WW Project Grant Capital Projects Fund	B-39	122
Federal W/WW Project Grant Capital Projects Fund	B-40	123
NMFA Trust Board Capital Projects Fund	B-41	124
State Water Project Grants Capital Projects Fund	B-42	125
State Agency on Aging Grants Capital Projects Fund	B-43	126
GRT Asset Replacement Capital Projects Fund	B-44	127
2002 Bond Debt Service Fund (Major)	B-45	128
RUS Loan Debt Service Fund	B-46	129
Environmental Department Loan Debt Service Fund	B-47	130
NMFA Debt Service Fund	B-48	131
NMFA WWW Debt Service Fund	B-49	132
1994 Bond Debt Reserve Debt Service Fund	B-50	133
NMFA DWSRF Debt Service Fund	B-51	134
NMED CWSRF Debt Service Fund	B-52	135
Trust Service Fund Debt Service Fund	B-53	136
NMFA Loan Reserve Debt Service Fund	B-54	137
NMFA PPR Equipment Project Loan Debt Service Fund	B-55	138
USDA Loan / Police Department Debt Service Fund	B-56	139
Budget (GAAP Budgetary Basis) and Actual –Proprietary Funds		
Water and Wastewater	B-57	140
Utility Asset Management	B-58	141
Solid Waste	B-59	142

STATE OF NEW MEXICO

City of Espanola

Table of Contents

June 30, 2012

	<u>Schedule</u>	<u>Page</u>
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	I	144-145
Schedule of Collateral Pledged by Depository for Public Funds	II	147
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	III	148-149
COMPLIANCE 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 <i>Government Auditing Standards</i>		152-153
Schedule of Findings and Responses	IV	154-177
OTHER DISCLOSURES		178

STATE OF NEW MEXICO

City of Espanola

Official Roster

June 30, 2012

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Alice A. Lucero		Mayor
Pedro Valdez		Mayor Pro Tem
Dennis Tim Salazar		District 1 Councilor
Michelle R. Martinez		District 2 Councilor
Peggy Sue Martinez		District 2 Councilor
John Hernandez		District 3 Councilor
Tania Sanchez		District 3 Councilor
Cory Lewis		District 4 Councilor
Adrianna Ortiz		District 4 Councilor
 <u>Administration</u>		
Kelly Duran		City Manager
Anna Squires		City Clerk
Joyce Sandoval		Administrative Service Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
Alicia A. Lucero, Mayor
The City Council
City of Espanola
Espanola, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the City of Espanola, New Mexico ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the major capital projects fund, the major debt service fund, the enterprise funds and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements of the New Mexico State Audit Rule 2.2.2 NMAC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were not able to verify current year revenues and expenses of both the governmental activities and business-type activities for the year ended June 30, 2012. We also were not able to verify revenue and expenditures within each of the funds included in these financial statements for the year ended June 30, 2012. We were also unable to verify the consumable inventory balance or the post closure landfill liability at June 30, 2012. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances as of June 30, 2012, as well as the account balance of inventory for both the governmental activities and business-type activities, and the landfill liability of the business-type activities. The effect on assets on the governmental activities and business-type activities is not readily determinable.

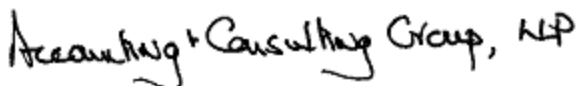
In our opinion, except for the effects of the lack of evidence verifying current year revenues and expenses of both the governmental activities and business-type activities, as well as revenues and expenditures within the fund financial statements, the consumable inventory balance, and the post closure landfill liability, as described on the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund as of and for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of the lack of evidence verifying current year revenues and expenses of both the governmental activities and business-type activities, as well as revenues and expenditures within the fund financial statements, the consumable inventory balance, and the post closure landfill liability, as described on the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects fund, major debt service fund, nonmajor governmental funds and the proprietary funds as of and for the year ended June 30, 2012, 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 October 7, 2015 on our consideration of the City'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 our audit.

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

Our audit was conducted for the purpose of forming opinions on the City's basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying financial information listed as Supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 States of America. In our opinion, except for the effects of the lack of evidence verifying current year revenues and expenses of both the governmental activities and business-type activities, as well as revenues and expenditures within the fund financial statements, the consumable inventory balance, and the post closure landfill liability, as described above, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Accounting & Consulting Group, LLP
Albuquerque, NM
October 7, 2015

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Espanola

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,186,901	\$ 580,272	\$ 3,767,173
Investments	4,438,206	58,929	4,497,135
Receivables:			
Property taxes	203,543	-	203,543
Other receivables, net	1,549,260	32,057	1,581,317
Customer receivables, net	-	1,315,987	1,315,987
Internal balances	(2,858,907)	2,858,907	-
Total current assets	<u>6,519,003</u>	<u>4,846,152</u>	<u>11,365,155</u>
Noncurrent assets			
Restricted cash and cash equivalents	1,354,306	-	1,354,306
Restricted investments	1,149,897	-	1,149,897
Capital assets:			
Land	4,211,071	22,400	4,233,471
Historical works of art	27,700	-	27,700
Construction in process	435,202	-	435,202
Infrastructure	4,767,442	5,534,628	10,302,070
Buildings and improvements	19,395,710	10,120,794	29,516,504
Vehicles, furniture and equipment	4,796,713	754,445	5,551,158
Less: accumulated depreciation	(16,371,140)	(5,205,513)	(21,576,653)
Total noncurrent assets	<u>19,766,901</u>	<u>11,226,754</u>	<u>30,993,655</u>
Total assets	<u>\$ 26,285,904</u>	<u>\$ 16,072,906</u>	<u>\$ 42,358,810</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 366,920	\$ 94,999	\$ 461,919
Accrued payroll	660,738	19,265	680,003
Due to state	6,425	-	6,425
Accrued compensated absences	278,394	45,277	323,671
Accrued interest payable	114,290	84,186	198,476
Current portion of bonds payable	12,200	15,889	28,089
Current portion of loans and notes payable	749,684	588,617	1,338,301
Total current liabilities	<u>2,188,651</u>	<u>848,233</u>	<u>3,036,884</u>
Noncurrent liabilities			
Accrued compensated absences	160,928	23,269	184,197
Accrued landfill closure costs	-	627,138	627,138
Bonds payable	68,900	754,311	823,211
Loans and notes payable	10,142,838	6,835,794	16,978,632
Total noncurrent liabilities	<u>10,372,666</u>	<u>8,240,512</u>	<u>18,613,178</u>
Total liabilities	<u>12,561,317</u>	<u>9,088,745</u>	<u>21,650,062</u>
Net Assets			
Invested in capital assets, net of related debt	6,289,076	3,032,143	9,321,219
Restricted for:			
Debt service	2,181,459	-	2,181,459
Capital projects	3,923,361	-	3,923,361
Special revenue	743,930	-	743,930
Landfill	-	627,138	627,138
Unrestricted	586,761	3,324,880	3,911,641
Total net assets	<u>13,724,587</u>	<u>6,984,161</u>	<u>20,708,748</u>
Total liabilities and net assets	<u>\$ 26,285,904</u>	<u>\$ 16,072,906</u>	<u>\$ 42,358,810</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,358,493	\$ 603,443	\$ 78,986	\$ 366,828
Public safety	5,022,295	-	671,413	-
Public works	2,331,934	-	399,595	360,960
Culture and recreation	942,824	20,660	144,771	-
Interest on long-term debt	412,902	-	-	-
<i>Total governmental activities</i>	<u>12,068,448</u>	<u>624,103</u>	<u>1,294,765</u>	<u>727,788</u>
Business-type Activities:				
Water and wastewater	3,427,870	4,871,939	-	-
Utility assets management	-	-	-	-
Solid waste	152,238	1,217,741	-	-
<i>Total business-type activities</i>	<u>3,580,108</u>	<u>6,089,680</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 15,648,556</u>	<u>\$ 6,713,783</u>	<u>\$ 1,294,765</u>	<u>\$ 727,788</u>

General Revenues, Reversion to State, and Transfers:

Taxes:
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Franchise taxes
Lodger's taxes
Taxes - other
Investment income
Rental income
Miscellaneous income
Transfers
Reversion to state

Total general revenues and transfers

Change in net assets

Net assets- beginning

Net assets- restatement (Note 20)

Net assets- beginning as restated

Net assets- ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,309,236)	\$ -	\$ (2,309,236)
(4,350,882)	-	(4,350,882)
(1,571,379)	-	(1,571,379)
(777,393)	-	(777,393)
(412,902)	-	(412,902)
<u>(9,421,792)</u>	<u>-</u>	<u>(9,421,792)</u>
-	1,444,069	1,444,069
-	-	-
<u>-</u>	<u>1,065,503</u>	<u>1,065,503</u>
<u>-</u>	<u>2,509,572</u>	<u>2,509,572</u>
<u>(9,421,792)</u>	<u>2,509,572</u>	<u>(6,912,220)</u>
936,002	-	936,002
9,479,187	444,644	9,923,831
568,393	-	568,393
357,555	-	357,555
66,234	-	66,234
19	-	19
57,264	-	57,264
74,405	-	74,405
228,180	-	228,180
677,752	(677,752)	-
(6,425)	-	(6,425)
<u>12,438,566</u>	<u>(233,108)</u>	<u>12,205,458</u>
<u>3,016,774</u>	<u>2,276,464</u>	<u>5,293,238</u>
(9,096,988)	7,322,598	(1,774,390)
<u>19,804,801</u>	<u>(2,614,901)</u>	<u>17,189,900</u>
<u>10,707,813</u>	<u>4,707,697</u>	<u>15,415,510</u>
<u>\$ 13,724,587</u>	<u>\$ 6,984,161</u>	<u>\$ 20,708,748</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Espanola
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit B-1
Page 1 of 2

	General Fund	Infrastructure Projects	2002 Bond Debt Service	Other Governmental Funds	Total
<i>Assets</i>					
Cash and cash equivalents	\$ 232,066	\$ 731,794	\$ 470,228	\$ 1,752,813	\$ 3,186,901
Restricted cash and cash equivalents	-	-	544,531	809,775	1,354,306
Investments	2,670,000	1,768,206	730,344	419,553	5,588,103
Receivables:					
Property taxes	203,543	-	-	-	203,543
Other receivables, net	1,198,217	156,917	-	194,126	1,549,260
Due from other funds	273,930	-	-	53,968	327,898
<i>Total assets</i>	<u>\$ 4,577,756</u>	<u>\$ 2,656,917</u>	<u>\$ 1,745,103</u>	<u>\$ 3,230,235</u>	<u>\$ 12,210,011</u>
<i>Liabilities</i>					
Accounts payable	\$ 257,332	\$ -	\$ -	\$ 109,588	\$ 366,920
Accrued payroll	646,302	-	-	14,436	660,738
Due to state	-	-	-	6,425	6,425
Deferred revenue	179,551	-	-	-	179,551
Due to other funds	-	9	-	3,186,796	3,186,805
<i>Total liabilities</i>	<u>1,083,185</u>	<u>9</u>	<u>-</u>	<u>3,317,245</u>	<u>4,400,439</u>
<i>Fund balances</i>					
Spendable					
Restricted for:					
General county operations	-	-	-	1,086,367	1,086,367
Recreation	-	-	-	584	584
Fire departments	-	-	-	50,405	50,405
Tourism	-	-	-	52,804	52,804
Public safety	-	-	-	82,071	82,071
Capital projects expenditures	-	2,656,908	-	78,274	2,735,182
Debt service expenditures	-	-	1,745,103	1,229,331	2,974,434
Committed for:					
Minimum fund balance	689,081	-	-	-	689,081
Unassigned	2,805,490	-	-	(2,666,846)	138,644
<i>Total fund balances</i>	<u>3,494,571</u>	<u>2,656,908</u>	<u>1,745,103</u>	<u>(87,010)</u>	<u>7,809,572</u>
<i>Total liabilities and fund balances</i>	<u>\$ 4,577,756</u>	<u>\$ 2,656,917</u>	<u>\$ 1,745,103</u>	<u>\$ 3,230,235</u>	<u>\$ 12,210,011</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Espanola

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances - total governmental funds	\$	7,809,572
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		17,262,698
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		179,551
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(114,290)
Some liabilities, including bonds payable, loans, notes and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(439,322)
Bonds payable		(81,100)
Loans and notes payable		(10,892,522)
		(11,412,944)
Total net assets of governmental activities	\$	13,724,587

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit B-2
Page 1 of 2

	General Fund	Infrastructure Projects	2002 Bond Debt Service	Other Governmental Funds	Total
<i>Revenues</i>					
<i>Taxes</i>					
Property	\$ 756,451	\$ -	\$ -	\$ -	\$ 756,451
Gross receipts	7,357,971	1,188,887	-	932,329	9,479,187
Gasoline and motor vehicle taxes	117,479	-	-	450,914	568,393
Other	357,555	-	-	66,253	423,808
<i>Intergovernmental income</i>					
Federal operating grants	-	-	-	21,525	21,525
State operating grants	68,406	-	-	1,204,834	1,273,240
State capital grants	-	-	-	727,788	727,788
Charges for services	595,033	-	-	29,070	624,103
Investment income	49,644	-	3,368	4,252	57,264
Rental income	71,670	-	-	2,735	74,405
Miscellaneous	151,583	-	-	76,597	228,180
<i>Total revenues</i>	<u>9,525,792</u>	<u>1,188,887</u>	<u>3,368</u>	<u>3,516,297</u>	<u>14,234,344</u>
<i>Expenditures</i>					
<i>Current</i>					
General government	2,208,297	-	49,202	361,366	2,618,865
Public safety	3,634,889	-	-	1,387,406	5,022,295
Public works	893,856	-	-	1,438,078	2,331,934
Culture and recreation	789,912	-	-	152,912	942,824
Capital outlay	279,508	248,621	-	-	528,129
<i>Debt service</i>					
Principal	-	-	365,000	377,965	742,965
Interest	-	-	292,955	132,293	425,248
<i>Total expenditures</i>	<u>7,806,462</u>	<u>248,621</u>	<u>707,157</u>	<u>3,850,020</u>	<u>12,612,260</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,719,330</u>	<u>940,266</u>	<u>(703,789)</u>	<u>(333,723)</u>	<u>1,622,084</u>
<i>Other financing sources (uses)</i>					
Reversion to state	-	-	-	(6,425)	(6,425)
Transfers in	1,165,472	1,262,872	1,092,295	1,037,960	4,558,599
Transfers out	(807,234)	(725,682)	(686,230)	(1,661,701)	(3,880,847)
<i>Total other financing sources (uses)</i>	<u>358,238</u>	<u>537,190</u>	<u>406,065</u>	<u>(630,166)</u>	<u>671,327</u>
<i>Net change in fund balances</i>	<u>2,077,568</u>	<u>1,477,456</u>	<u>(297,724)</u>	<u>(963,889)</u>	<u>2,293,411</u>
<i>Fund balance - beginning of year</i>	(2,822,688)	3,062,835	216,170	2,598,591	3,054,908
<i>Fund balances - restatement (Note 20)</i>	4,239,691	(1,883,383)	1,826,657	(1,721,712)	2,461,253
<i>Fund balances - as restated</i>	<u>1,417,003</u>	<u>1,179,452</u>	<u>2,042,827</u>	<u>876,879</u>	<u>5,516,161</u>
<i>Fund balance - end of year</i>	<u>\$ 3,494,571</u>	<u>\$ 2,656,908</u>	<u>\$ 1,745,103</u>	<u>\$ (87,010)</u>	<u>\$ 7,809,572</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Espanola

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds \$ 2,293,411

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay 528,129
Depreciation expense (861,816)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenue in the funds:

Decrease in unavailable revenue related to property taxes receivable (1,389)

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

Decrease in accrued interest 214,690
Decrease in accrued compensated absences 100,784
Principal payments on bonds payable 57,034
Principal payments on notes and loans payable 685,931

Change in net assets of governmental activities \$ 3,016,774

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

City of Espanola

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Non- GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 509,918	\$ 509,918	\$ 575,511	\$ 65,593
Gross receipts	7,212,000	7,212,000	7,227,372	15,372
Gas and motor vehicle	79,000	79,000	108,071	29,071
Other	535,000	535,000	302,592	(232,408)
Intergovernmental income				
State operating grants	35,000	35,000	68,406	33,406
Charges for services	34,000	34,000	30,298	(3,702)
Licenses and fees	544,369	544,369	564,735	20,366
Investment income	55,000	55,000	49,644	(5,356)
Rental income	60,800	60,800	66,361	5,561
Miscellaneous	83,200	83,200	151,583	68,383
<i>Total revenues</i>	<u>9,148,287</u>	<u>9,148,287</u>	<u>9,144,573</u>	<u>(3,714)</u>
<i>Expenditures</i>				
Current				
General government	3,119,355	3,159,355	2,405,961	753,394
Public safety	4,293,807	4,293,807	3,850,789	443,018
Public works	885,913	886,863	882,620	4,243
Culture and recreation	862,622	862,372	764,657	97,715
Capital outlay	1,200	1,200	-	1,200
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,162,897</u>	<u>9,203,597</u>	<u>7,904,027</u>	<u>1,299,570</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,610)</u>	<u>(55,310)</u>	<u>1,240,546</u>	<u>1,295,856</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(37,950)	2,750	-	(2,750)
Transfers in	681,157	681,157	1,165,472	484,315
Transfers out	(628,597)	(628,597)	(807,234)	(178,637)
<i>Total other financing sources (uses)</i>	<u>14,610</u>	<u>55,310</u>	<u>358,238</u>	<u>302,928</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,598,784</u>	<u>1,598,784</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(2,662,479)</u>	<u>(2,662,479)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>4,239,691</u>	<u>4,239,691</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>1,577,212</u>	<u>1,577,212</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,175,996</u>	<u>\$ 3,175,996</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,598,784
Adjustments to revenues for operating grants, capital grants, charges for service, and miscellaneous income				381,219
Adjustments to expenditures for general and public safety expenditures				97,565
Net change in fund balance (GAAP basis)				<u>\$ 2,077,568</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

City of Espanola
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 502,721	\$ -	\$ 77,551	\$ 580,272
Investments	58,929	-	-	58,929
Other receivables	227	-	31,830	32,057
Customer receivables, net	1,057,553	-	258,434	1,315,987
Interfund receivable	1,615,344	-	1,292,632	2,907,976
<i>Total current assets</i>	<u>3,234,774</u>	<u>-</u>	<u>1,660,447</u>	<u>4,895,221</u>
<i>Noncurrent assets</i>				
<i>Capital assets:</i>				
Land	22,400	-	-	22,400
Infrastructure	5,534,628	-	-	5,534,628
Buildings and improvements	10,120,794	-	-	10,120,794
Vehicles, furniture and equipment	754,445	-	-	754,445
Less: accumulated depreciation	(5,205,513)	-	-	(5,205,513)
<i>Total noncurrent assets</i>	<u>11,226,754</u>	<u>-</u>	<u>-</u>	<u>11,226,754</u>
<i>Total assets</i>	<u>\$ 14,461,528</u>	<u>\$ -</u>	<u>\$ 1,660,447</u>	<u>\$ 16,121,975</u>
<i>Liabilities and net assets</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 91,085	\$ -	\$ 3,914	\$ 94,999
Accrued payroll	19,265	-	-	19,265
Accrued compensated absences	45,277	-	-	45,277
Interfund payable	-	49,069	-	49,069
Accrued interest payable	84,186	-	-	84,186
Current portion of bonds payable	15,889	-	-	15,889
Current portion of loans and contracts payable	588,617	-	-	588,617
<i>Total current liabilities</i>	<u>844,319</u>	<u>49,069</u>	<u>3,914</u>	<u>897,302</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	23,269	-	-	23,269
Accrued landfill closure costs	-	-	627,138	627,138
Bonds payable	754,311	-	-	754,311
Loans payable	6,835,794	-	-	6,835,794
<i>Total noncurrent liabilities</i>	<u>7,613,374</u>	<u>-</u>	<u>627,138</u>	<u>8,240,512</u>
<i>Total liabilities</i>	<u>8,457,693</u>	<u>49,069</u>	<u>631,052</u>	<u>9,137,814</u>
<i>Net assets</i>				
Net investment in capital assets	3,032,143	-	-	3,032,143
Restricted for:				
Landfill			627,138	627,138
Unrestricted	2,971,692	(49,069)	402,257	3,324,880
<i>Total net assets</i>	<u>6,003,835</u>	<u>(49,069)</u>	<u>1,029,395</u>	<u>6,984,161</u>
<i>Total liabilities and net assets</i>	<u>\$ 14,461,528</u>	<u>\$ -</u>	<u>\$ 1,660,447</u>	<u>\$ 16,121,975</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit D-2

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
<i>Operating revenues</i>				
Charges for services	\$ 4,871,939	\$ -	\$ 1,217,741	\$ 6,089,680
<i>Total operating revenues</i>	4,871,939	-	1,217,741	6,089,680
<i>Operating expenses</i>				
Payroll and benefits	1,281,440	-	-	1,281,440
Contractual Services	278,794	-	33,379	312,173
Supplies and services	468,093	-	111,687	579,780
Repairs and maintenance	279,177	-	-	279,177
Utilities	526,972	-	-	526,972
Depreciation	362,953	-	-	362,953
Bad debt expense	46,251	-	7,172	53,423
<i>Total operating expenses</i>	3,243,680	-	152,238	3,395,918
<i>Operating income</i>	1,628,259	-	1,065,503	2,693,762
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	210,799	-	233,845	444,644
Interest expense	(184,190)	-	-	(184,190)
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	26,609	-	233,845	260,454
<i>Income before contributions and transfers</i>	1,654,868	-	1,299,348	2,954,216
Transfers in	373,626	-	-	373,626
Transfers out	(975,924)	-	(75,454)	(1,051,378)
<i>Change in net assets</i>	1,052,570	-	1,223,894	2,276,464
<i>Net assets- beginning of year</i>	7,069,377	(49,069)	302,290	7,322,598
<i>Net assets- restatement (Note20)</i>	(2,118,112)	-	(496,789)	(2,614,901)
<i>Net assets- beginning of year as restated</i>	4,951,265	(49,069)	(194,499)	4,707,697
<i>Net assets- end of year</i>	\$ 6,003,835	\$ (49,069)	\$ 1,029,395	\$ 6,984,161

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit D-3

	Enterprise Funds			Total
	Water and Wastewater	Utility Asset Management	Solid Waste	
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 3,950,695	\$ -	\$ 1,033,520	\$ 4,984,215
Cash payments to employees for services	(1,297,942)	-	-	(1,297,942)
Cash payments to suppliers for goods and services	(1,183,157)	-	(1,381,616)	(2,564,773)
<i>Net cash provided (used) by operating activities</i>	<u>1,469,596</u>	<u>-</u>	<u>(348,096)</u>	<u>1,121,500</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	210,799	-	233,845	444,644
Payments for noncurrent accrued compensated absences	23,269	-	-	23,269
Interfund advances (payments) and transfers	(422,048)	-	(75,454)	(497,502)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(187,980)</u>	<u>-</u>	<u>158,391</u>	<u>(29,589)</u>
<i>Cash flows from capital and related financing activities</i>				
Interest paid	(182,060)	-	-	(182,060)
Principal payments on long-term debt	(593,392)	-	-	(593,392)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(775,452)</u>	<u>-</u>	<u>-</u>	<u>(775,452)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	506,164	-	(189,705)	316,459
<i>Cash and cash equivalents - beginning of year</i>	<u>1,409,919</u>	<u>-</u>	<u>678,550</u>	<u>2,088,469</u>
<i>Cash and cash equivalents - restatement (Note 20)</i>	<u>(1,413,362)</u>	<u>-</u>	<u>(411,294)</u>	<u>(1,824,656)</u>
<i>Cash and cash equivalents - beginning, as restated</i>	<u>(3,443)</u>	<u>-</u>	<u>267,256</u>	<u>263,813</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 502,721</u>	<u>\$ -</u>	<u>\$ 77,551</u>	<u>\$ 580,272</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 1,628,259	\$ -	\$ 1,065,503	\$ 2,693,762
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation	362,953	-	-	362,953
Bad debt expense	46,251	-	7,172	53,423
<i>Changes in assets and liabilities</i>				
Receivables	(642,450)	-	(184,221)	(826,671)
Accounts payable	91,085	-	(1,236,550)	(1,145,465)
Accrued payroll expenses	19,265	-	-	19,265
Current accrued compensated absences	(35,767)	-	-	(35,767)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 1,469,596</u>	<u>\$ -</u>	<u>\$ (348,096)</u>	<u>\$ 1,121,500</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

Exhibit E-1

<i>Assets</i>	
Cash	\$ 293,740
Investments	43,000
Accounts receivable	<u>12,401</u>
 Total assets	 <u><u>\$ 349,141</u></u>
 <i>Liabilities</i>	
Deposits payable	\$ 50,375
Accounts payable	2,734
Due to other entities	<u>296,032</u>
 Total liabilities	 <u><u>\$ 349,141</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

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 and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities (water, wastewater, and solid waste), health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The City of Espanola is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The City has elected not to follow the subsequent private sector guidance. The more significant of the City's accounting policies are described below.

A. *Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets is reported in three parts – net investment in capital assets; restricted net assets; and unrestricted net assets.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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 and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund includes state shared gross receipts tax income fund and state shared gas tax income funds.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Infrastructure Projects accounts for City infrastructure capital projects.

The 2002 Bond Debt Service accounts for the debt service payments of the 1999-2002 Bond Series.

The City reports its proprietary funds as major funds. Proprietary funds include:

The *Water and Wastewater Fund* is used to account for the activities of the City's water and wastewater operations.

The *Utility Asset Management Fund* is used to account for the better management of all the utility assets of the City.

The *Solid Waste Fund* is used to account for the all garbage operations of the solid waste system.

Additionally, the City reports the following fund type:

The *Fiduciary Fund* is purely custodial (assets equal liabilities) and does not involve the measurement of results of operations. This fund accounts for assets held by the City in a trustee capacity for the several operations at City Hall.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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.

D. Assets, Liabilities and Net Assets or Equity

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

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

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City estimates the allowance for uncollectible accounts based off the days delinquent. The City has estimated all accounts that are greater than 90 days to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Rio Arriba and Santa Fe County's and remitted monthly to the City.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used and restricted for future debt service payments, capital projects, meter deposits payable, and the City's landfill liability.

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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

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. There was no interest expense capitalized by the City during the current fiscal. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40-60
Buildings and improvements	20-40
Vehicles, furniture and equipment	5-10

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Compensated Absences: The City's employees earn personal leave at a rate of 22 to 27 days per year based on years of service. Employees can carry over unused personal leave each year with a cap of 500 hours.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference is minimal. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council.

For assigned fund balance, the City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2012, the City did not have any fund balances in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2012, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,086,367 for various general government operations as restricted by enabling legislation, \$584 for recreation, \$ 50,405 for Fire Departments, \$52,804 for Tourism, \$82,071 for public safety, \$2,735,182 for capital projects, and \$2,974,434 for debt service expenditures. The City has committed fund balance of the general fund for minimum fund balances in the amount of \$689,081. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 18.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures. The amount at June 30, 2012 for the City is \$689,081.

Net Assets: Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt: Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for "special revenue, debt service, and capital projects" are described on pages 30-31 and 56-59.
- c. Unrestricted Net Assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the general fund and the enterprise funds, accrued compensated absences, and depreciation of capital assets.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

Governmental fund budgets are prepared on the Non-GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

Proprietary fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The City does not budget for depreciation expense, only capital outlay.

The budgetary information presented in these financial statements has been properly amended by City Council in accordance with the above procedures. These amendments resulted in the following changes:

	<u>Excess (deficiency)</u> <u>of revenues over expenditures</u>	
	<u>Original</u>	<u>Final</u>
	<u>Budget</u>	<u>Budget</u>
Budgeted Funds:		
General Fund	\$ (14,610)	\$ (55,310)
Nonmajor Governmental Funds	\$ (2,997,717)	\$ (3,314,095)
	<u>Change in net assets</u>	
Budgeted Funds:		
Water and Sewer	\$ 91,138	\$ 91,138
Utility Asset Management	\$ -	\$ -
Solid Waste	\$ -	\$ -

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

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The City is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to December 31, 2012 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts)
- Up to \$250,000 for the combined amount of all interest-bearing demand deposit accounts, and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

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 to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2012, \$6,412,129 of the City’s bank balance of \$6,915,797 was subject to custodial credit risk. \$6,412,129 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$0 of the City’s deposits were uninsured and uncollateralized at June 30, 2012.

	Valley National Bank	Community Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Amount of deposits	\$ 6,912,129	\$ 3,668	\$ 6,915,797
FDIC Coverage	(500,000)	(3,668)	(503,668)
Total uninsured public funds	<u>6,412,129</u>	<u>-</u>	<u>6,412,129</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>6,412,129</u>	<u>-</u>	<u>6,412,129</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 3,206,065	\$ -	\$ 3,206,065
Pledged Collateral	<u>6,993,333</u>	<u>-</u>	<u>6,993,333</u>
Over (Under) collateralized	<u>\$ 3,787,268</u>	<u>\$ -</u>	<u>\$ 3,787,268</u>

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

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 3,767,173
Restricted cash and cash equivalents per Exhibit A-1	1,354,306
Agency funds cash and investments per Exhibit E-1	293,740
Certificates of deposits (maturity > 3 months)	2,771,929
Plus outstanding checks	201,640
Less deposits in transit	(118,221)
Less U.S. Treasury Money Market Mutual Funds	(542,551)
Less cash and cash equivalents - New Mexico State Treasurer Debt Service	(811,749)
Less petty cash	<u>(470)</u>
Bank balance of deposits	<u><u>\$ 6,915,797</u></u>

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

Investments

The City invests excess cash in the State Treasurer Local Government Investment Pool. The New Mexico Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10. (F), 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 LGIP is voluntary.

As of June 30, 2012, the City's investment in the New Mexico LGIP was rated as AAAM by Standard & Poor's.

Additionally, the City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

The City's investments at June 30, 2012 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
New Mexico Local Government Investment Pool	AAAm	48.6	\$ 1,766,998
Reserve Contingency Fund	Unrated	Does not earn interest	1,208
U.S. Treasury Money Market Mutual Funds	Aaa **	>365 Days	542,551
New Mexico State Treasurer Debt Service	Aaa **	>365 Days	1,149,897
			<u>\$ 3,460,654</u>

** Based on Moody's rating

At June 30, 2012 the City had \$2,771,929 of certificates of deposit classified as governmental activities investments at Exhibit A-1. In addition, the City has funds which are managed by NMFA which are considered restricted cash and cash equivalents. Of a total balance held in such accounts of \$1,961,646, \$1,149,897 is classified as investments, as these funds are invested by NMFA in US Treasury notes, and \$811,749 is considered to be cash and cash equivalents for Exhibit A-1. For purposes of cash flows at Exhibit D-3, ending cash is considered to be cash and cash equivalents, including restricted cash and cash equivalents.

Interest Rate Risk – Investments. The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New Mexico LGIP and U.S Treasury Money Market Mutual Funds represent 28% and 27%, respectively, of the investment portfolio, when CD's considered investments are included; and 51% and 49%, respectively, of the investment portfolio when CD's considered investments are excluded. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City's policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 4. Receivables

Receivables as of June 30, 2012, are as follows:

Governmental Activities:

	General	Infrastructure Projects	Other Governmental Funds	Total
Property taxes receivable	\$ 203,543	\$ -	\$ -	\$ 203,543
Other taxes receivable:				
Gross receipts	1,121,887	156,917	124,966	1,403,770
Gasoline and motor vehicle	9,408	-	34,306	43,714
Franchise taxes	54,963	-	-	54,963
Lodger's taxes	-	-	7,875	7,875
Due from other governments:				
Intergovernmental:				
Federal grants	-	-	9,776	9,776
State grants	-	-	-	-
Miscellaneous	178,827	-	17,203	196,030
Less: allowance for doubtful accounts	<u>(166,868)</u>	<u>-</u>	<u>-</u>	<u>(166,868)</u>
Total receivables	<u>\$ 1,401,760</u>	<u>\$ 156,917</u>	<u>\$ 194,126</u>	<u>\$ 1,752,803</u>

Receivables for governmental activities are considered to be 100% collectible with the exception of prior employee restitution in the amount of \$166,868 of a total amount owed of \$178,827.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to property taxes receivable for the City for the year ended June 30, 2012 was \$179,551.

Business-type Activities:	Water and Sewer	Solid Waste	Total
Customer receivables	\$ 1,644,645	\$ 401,902	\$ 2,046,547
Other receivables:			
Gross receipts taxes	-	31,830	31,830
Miscellaneous	227	-	227
Total gross receivables	<u>1,644,872</u>	<u>433,732</u>	<u>2,078,604</u>
Less: allowance for doubtful accounts	<u>(587,092)</u>	<u>(143,468)</u>	<u>(730,560)</u>
Total net receivables	<u>\$ 1,057,780</u>	<u>\$ 290,264</u>	<u>\$ 1,348,044</u>

The allowance for doubtful accounts above relates to customer receivables and consists of accounts that are greater than 90 days overdue.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 5. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,165,472	\$ 807,234
Utility Water	373,626	975,924
Lodger's Tax	38,863	74,713
Lodger's Promotional	33,600	59,127
Plaza Development	20,000	-
Infrastructure	1,262,872	725,682
GRT Asset Replacement	156,537	-
Bond Debt Service	1,092,295	686,230
RUS Loan Debt Service	136,368	700,008
NMFA Debt Service	125,940	270,682
NMFA WWW	91,781	-
NMFA DWSRF	62,662	-
NMED CWSRF	30	16,611
NMFA PPR Equipment	356,619	-
USDA Loan Police	15,560	-
Solid Waste	-	75,454
Law enforcement Protection	-	15,560
NMFA LoanReserves	-	525,000
	<u>\$ 4,932,225</u>	<u>4,932,225</u>

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 5. Transfers and Interfund Receivables (continued)

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2012 is as follows:

	Due to	Due from
General Fund	\$ 273,930	\$ -
Bullet Proof Vest Grant	-	16,206
Operation Buckle Down	-	4,924
G.R.E.A.T. Grant	-	15,684
COPS in Schools Grant	-	333,954
Click It or Ticket	-	7,325
Wildland Grant	-	6,622
Days and Nights of Summer	-	985
DWI Program Enforcement	-	20,462
Public Safety Grants	-	22,299
E-911 Grant	-	504,095
Roads and Streets	-	43,341
Lodgers' Tax Promotional	4,899	-
NMDOT Litter Control and Beautification	-	2,482
Plaza Development	-	23,926
Capital Projects Grants	-	505,365
NMLA Capital Improvements Grant	-	208,918
NM DOT Grant	-	646,350
USDA Grants	-	22,419
Capital Projects Esp 8	-	36,657
Infrastructure Projects	-	9
Federal W/WW Project Grant	-	347,482
NMFA Trust Board	-	417,300
GRT Asset Replacement	49,069	-
Water and Wastewater	1,615,344	-
Utility Asset Management	-	49,069
Solid Waste	1,292,632	-
	\$ 3,235,874	\$ 3,235,874

All interfund transactions are short-term and are expected to be repaid within a year.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land, Historical Works of Art, and construction in progress are not subject to depreciation.

Governmental activities:	Balance June 30, 2011	Restatement	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 3,604,879	\$ 606,192	\$ -	\$ -	\$ 4,211,071
Historical Works of Art	-	27,700	-	-	27,700
Construction in progress	-	-	435,202	-	435,202
Total capital assets not being depreciated	3,604,879	633,892	435,202	-	4,673,973
Capital assets being depreciated:					
Buildings and improvements	21,727,077	(1,557,225)	-	(774,142)	19,395,710
Infrastructure	-	4,767,442	-	-	4,767,442
Vehicles, furniture and equipment	6,878,806	(1,802,014)	92,927	(373,006)	4,796,713
Total capital assets being depreciated	28,605,883	1,408,203	92,927	(1,147,148)	28,959,865
Less accumulated depreciation:					
Buildings and improvements	(19,477,843)	10,179,194	(418,919)	428,105	(9,289,463)
Infrastructure	-	(3,655,497)	(160,223)	-	(3,815,720)
Vehicles, furniture and equipment	(6,578,609)	3,239,904	(282,674)	355,422	(3,265,957)
Total accumulated depreciation	(26,056,452)	9,763,601	(861,816)	783,527	(16,371,140)
Total capital assets, net of depreciation	\$ 6,154,310	\$ 11,805,696	\$ (333,687)	\$ (363,621)	\$ 17,262,698

Depreciation expense for the year ended June 30, 2012 was \$861,816 allocated to general government.

Business-type activities:	Balance June 30, 2011	Restatement	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 232,040	\$ (209,640)	\$ -	\$ -	\$ 22,400
Total capital assets not being depreciated	232,040	(209,640)	-	-	22,400
Capital assets being depreciated:					
Buildings and improvements	1,611,771	8,509,023	-	-	10,120,794
Equipment	4,534,713	(3,780,268)	-	-	754,445
Infrastructure	11,083,306	(5,548,678)	-	-	5,534,628
Total capital assets being depreciated	17,229,790	(819,923)	-	-	16,409,867
Less accumulated depreciation:					
Buildings and improvements	(1,030,950)	(1,415,058)	(241,806)	-	(2,687,814)
Equipment	(4,041,627)	3,399,372	(19,824)	-	(662,079)
Infrastructure	(5,921,757)	4,167,460	(101,323)	-	(1,855,620)
Total accumulated depreciation	(10,994,334)	6,151,774	(362,953)	-	(5,205,513)
Total capital assets, net of depreciation	\$ 6,467,496	\$ (7,181,337)	\$ 362,953	\$ -	\$ 11,226,754

Depreciation expense for the year ended June 30, 2012 was charged to Water and Wastewater in the amount of \$362,953.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2011	Restatement	Additions	Retirements	Balance June 30, 2012	Due Within One Year
NMFA Loans	\$ 11,787,693	\$ (521,856)	\$ -	\$ 685,931	\$ 10,579,906	\$ 702,542
NMED Loans	5,628,023	(5,628,023)	-	-	-	-
Law Enforcement Bonds	-	92,800	-	11,700	81,100	12,200
Capital Lease	-	357,950	-	45,334	312,616	47,142
Compensated Absences	561,510	-	156,206	278,394	439,322	278,394
Total Long-Term Debt	\$ 17,977,226	\$(5,699,129)	\$ 156,206	\$ 1,021,359	\$ 11,412,944	\$ 1,040,278

Revenue Bonds

At June 30, 2012, the City had one revenue bond outstanding. For the Series 2008 Law Enforcement Protection Revenue Bonds, the City pledged revenues from Law Enforcement Protection revenues. The revenue bonds are as follows:

Revenue Bonds	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
Series 2008 LE Bonds	2/21/2008	2/21/2018	4.250%	\$ 125,000

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 12,200	\$ 3,420	\$ 15,620
2014	12,700	2,920	15,620
2015	13,200	2,420	15,620
2016	13,800	1,820	15,620
2017	14,400	1,220	15,620
2018	14,800	820	15,620
	\$ 81,100	\$ 12,620	\$ 93,720

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

NMFA Loans

The City entered into three loan agreements with the New Mexico Finance Authority, wherein the City pledged revenue derived from State-Shared Gross Receipts Tax to cover debt service. This revenue is not subject to intercept agreements. The NMFA loans are as follows:

NMFA Loan	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
NMFA - 1999 PPRF - Espanola 1	2/20/1998	5/1/2018	5.63-6.88%	\$ 450,705
NMFA 2007B PPRF - Espanola 8	9/1/2007	3/1/2025	3.29 - 3.97%	7,700,000
NMFA 2549 - Espanola 12	2/4/2011	5/1/2027	3.306%	1,461,097
NMFA 2550 - Espanola 13	2/4/2011	5/1/2023	3.247%	2,415,000

The annual requirements to amortize the NMFA loans as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 702,542	\$ 371,875	\$ 1,074,417
2014	719,265	353,393	1,072,658
2015	741,111	333,093	1,074,204
2016	763,104	310,872	1,073,976
2017	795,245	286,443	1,081,688
2018-2022	3,712,542	1,033,879	4,746,421
2023-2027	3,146,097	268,330	3,414,427
	<u>\$ 10,579,906</u>	<u>\$ 2,957,885</u>	<u>\$ 13,537,791</u>

Capital Lease Payable

The City entered into a capital lease in prior years in the amount of \$407,950. This was at an interest rate of 3.99% and will end on November 1, 2017. The total amount of future principal payments is \$312,616 and interest payments total \$45,080.

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2012, compensated absences decreased \$122,188 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

Proprietary Funds:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Restatement	Additions	Retirements	Balance June 30, 2012	Due Within One Year
NMFA Loans	\$ 238,934	\$ 521,856	\$ -	\$ 98,451	\$ 662,339	\$ 99,077
RUS Loans	783,444	1,756		15,000	770,200	15,889
NMED Loans	1,613,990	5,628,023	-	479,941	6,762,072	489,540
Landfill Closure Liability	627,138	-	-	-	627,138	-
Compensated Absences	81,044	-	32,780	45,277	68,547	45,277
Total Long-Term Debt	\$ 3,344,550	\$ 6,151,635	\$ 32,780	\$ 638,669	\$ 8,890,296	\$ 649,783

Revenue Bonds

At June 30, 2012, the City had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
1996 RUS	12/18/1996	12/1/2036	5.13%	\$ 707,200
1997 RUS	3/31/1997	3/1/2037	5.00%	225,000

Net revenues of the City's water utility system have been pledged to service these bonds.

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 15,889	\$ 39,145	\$ 55,034
2014	16,699	38,336	55,035
2015	17,549	37,486	55,035
2016	18,444	36,591	55,035
2017	19,383	35,652	55,035
2018-2022	112,772	162,403	275,175
2023-2027	144,582	130,593	275,175
2028-2032	185,362	89,813	275,175
2033-2037	239,520	37,530	277,050
	\$ 770,200	\$ 607,549	\$ 1,377,749

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

Notes Payable	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
1991 NMED Wastewater	2/15/1991	2/1/2018	2.00%	\$ 3,669,670
WTB 11-0110- Espanola 11	12/11/2009	6/1/2029	2.50%	258,000
NMFA - 1672-DW - Espanola 7	5/1/2005	5/1/2017	1.75%	808,000
2007 NMED	10/3/2006	12/1/2028	2.00%	6,138,344

The annual requirements to amortize the NMFA loans as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 588,617	\$ 138,919	\$ 727,536
2014	599,046	128,492	727,538
2015	609,680	117,860	727,540
2016	620,522	107,019	727,541
2017	631,579	95,964	727,543
2018-2022	1,851,175	343,168	2,194,343
2023-2027	1,767,844	177,221	1,945,065
2028-2032	755,948	22,038	777,986
	<u>\$ 7,424,411</u>	<u>\$ 1,130,681</u>	<u>\$ 8,555,092</u>

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2012, compensated absences increased by \$12,497 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2012, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. The City is not aware of any major lawsuits that have been filed.

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

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

Deficit fund balance of individual funds. The following fund had a deficit fund balance as of June 30, 2012:

Bullet Proof Vest Grant	\$ 16,206
Operation Buckle Down	4,924
G.R.E.A.T.	15,684
COPS in Schools	334,803
Operation DWI State Grant	259
Click It or Ticket	7,435
Wildland Grant	3,542
Law Enforcement Tech.	6,425
Days and Nights of Summer	985
DWI Program Enforcement	20,462
Public Safety Grants	13,148
Roads and Streets	16,928
NMDOT Litter Control	2,482
Plaza Development	23,926
Capital Projects Grants	520,511
NMLA Capital Improvements	208,918
NM DOT	646,350
USDA	22,419
Capital Projects Esp 8	36,657
Federal W/WW Project Grant	347,482
NMFA Trust Board	417,300
Total	\$ 2,666,846

Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. The following funds exceeded approved budgetary authority for the year ended June 30, 2012:

	Approved Budget	Actual Expenditures	Amount Exceeded
Operation Buckle Down	\$ 2,562	\$ 2,779	\$ 217
G.R.E.A.T.	-	3,993	3,993
COPS in Schools	37,089	119,415	82,326
Library Grant	11,804	29,762	17,958
Roads and Streets	528,000	547,494	19,494
Fiesta Council	55,000	75,523	20,523
NMDOT Litter Control and Beautification	-	450	450
Capital Projects Grants	335,000	345,250	10,250
NM DOT Grant	102,721	291,733	189,012
NMFA PPR Equipment Project	65,650	394,483	328,833

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 9. Other Required Individual Fund Disclosures (continued)

Designated cash appropriations in excess of available balances. The following funds had designated cash appropriations in excess of available balances.

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR</u>	<u>Cash Appropriation in</u>
Click It or Ticket	\$ 1,680	\$ (5,928)	\$ 7,608
Days and Nights of Summer	3,321	2,680	641
E-911	8,226	(11,729)	19,955
Fire Protection	161,999	69,659	92,340

NOTE 10. Pension Plan- Public Employees Retirement Association

Plan Description. Substantially all of the City’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. *Funding Policy.* Plan members are required to contribute the following percentages of their gross salary: 16.30 % for law enforcement, 16.20% for fire protection, and 13.15% for municipal employees. The City is required to contribute the following percentages of the gross covered salary: 18.50% for law enforcement employees, 21.25% for fire protection employees, 22.30% of an adult detention officer’s salary, and 9.15% for municipal employees. The contribution requirements of 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 fiscal years ending June 30, 2012, 2011 and 2010 were \$1,018,638 \$1,000,000, and \$1,400,000, respectively. The amounts contributed for 2012 equal the amount of the required contribution for that fiscal year, however, the required contributions for prior years cannot be determined.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The City 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 event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s 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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

(1)
For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

(2)
For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary; and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.500%	1.250%

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City's contribution to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$142,226, \$121,134, and \$100,261, respectively. The amounts contributed for 2012 equal the amount of the required contribution for that fiscal year, however, the required contributions for prior years cannot be determined.

NOTE 12. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2012.

NOTE 13. Federal and State Grants

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

NOTE 14. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The estimated liability for landfill closure and post closure care costs is \$627,138 as of June 30, 2012. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It cannot be determined if the estimated amount set aside for the landfill closure and postclosure care liability is materially accurate.

NOTE 15. Construction and Other Significant Commitments

The City has committed to pay for several construction contracts that were not completed at June 30, 2012. It was not possible to specifically identify the contracts and amounts committed for the projects as of June 30, 2012.

NOTE 16. Subsequent Events

In August of 2012, the City settled a judgement claim with Molzen Corbin & Associates for \$150,000. This settlement constitutes final resolution of all contested unpaid invoices.

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is October 7, 2015, which is the date on which the financial statements were issued.

NOTE 17. Concentrations

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 18. Restricted Net Assets

The government-wide statement of net assets reports \$6,848,750 of restricted net assets for governmental activities, all of which is restricted by enabling legislation. See pages 30-31 and 56-59 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 19. Subsequent 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, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective date: the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective date: the requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Assets* effective date: the provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The City expects this standard to have a material effect on its financial statements.

In January 2013, Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged. The City is still evaluating the possible effects of this standard.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2012

NOTE 19. Subsequent Pronouncements (continued)

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, was issued. Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The City expects this standard to have a material effect on its financial statements.

NOTE 20. Fund Balance and Net Assets Restatements

Governmental Funds: The City made fund balance restatement in special revenue, capital projects, and debt service funds to correct prior year's errors in the amount of \$2,461,253 as follows:

Major Funds:

General Fund - \$4,239,691

The General Fund restatement consisted of errors in prior year related to unsubstantiated adjustments, cash, interfund balances, accounts receivable, and deferred revenue.

Infrastructure Projects - \$(1,883,383)

The Infrastructure Projects restatement consisted of errors in prior year related to unsubstantiated adjustments, cash and interfund balances.

2002 Bond Debt Service- \$1,826,657

The 2002 Bond Debt Service restatement consisted of errors in prior year related to unsubstantiated adjustments, cash and interfund balances.

Nonmajor funds - \$(1,721,712)

These restatements, detailed in the combining and individual fund financial statements on pages 60 through 83 of this report, consisted of errors in the prior year related to unsubstantiated adjustments in prior years, cash, and interfund balances.

Government Wide: The City made government wide restatements to correct prior year errors as follows:

Governmental Activities- \$19,804,801

In addition to the fund-level restatements detailed above, totaling \$2,461,253, additional restatements to correct capital asset balances of \$11,806,696, long term debt balances of \$(248,406) and other prior year errors of \$5,785,258 resulted in a total restatement for governmental activities of \$19,804,801.

Business-Type Activities- \$(2,614,901)

The Business-Type Activities restatement consisted of error in prior year related to the following funds:

Water and Wastewater- \$(2,118,112)

The Water and Wastewater Fund restatement consisted of errors in prior years related to unsubstantiated adjustments, cash and capital assets.

Solid Waste- \$(496,789)

The Solid Waste Fund restatement consisted of errors in prior years related to unsubstantiated adjustments.

Total Governmental Fund and Government Wide restatements totaled \$17,189,900 as noted at Exhibit A-2.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2012

Special Revenue Funds

Recreation – To account for establishing and maintaining recreational facilities. The source of funds is from the distribution of cigarette taxes pursuant to NMSA 7-1-6.11.

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 federal 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 pursuant to Section 66-7-501 to 66-7-511 NMSA 1978.

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 federal grant funding awarded to the Police Department by the U.S. Department of Justice for non-lethal force options and technology improvements Grant 2010-SD-B9-006.

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. Source of funds pursuant to 66-7-501 to 66-7-511 NMSA 1978.

Library Grant – To account for a grant from the State of New Mexico GO Bond and Grant in Aid to be used for additions to the City's library issued pursuant to Section 18-2-5 NMSA 1978.

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. Source of funds pursuant to Section 66-7-501-511 NMSA 1978.

EMS – To account for grant funds for the City's EMS department pursuant to Section 24-10A-2 NMSA 1978.

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

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

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

Days and Nights of Summer – To account for revenues related public safety grants. Source of funds pursuant to Section 66-7-501 to 66-7-511 NMSA 1978.

DWI Program Enforcement – To account for sobriety checkpoints and saturation patrols aimed at reducing alcohol related accidents. Source of funds pursuant to Section 66-7-501 to 66-7-511 NMSA 1978.

Public Safety Grant – To account for grant funds to be used for public safety, including federal department of justice grant funding.

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2012

Special Revenue Funds (continued)

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 received pursuant to Section 59A-53-2 NMSA 1978.

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 pursuant to Section 7-13-1 NMSA 1978.

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 pursuant to Section 29-13-7 NMSA 1978

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

Lodger’s Tax – To account for lodgers’ taxes used to promote the City pursuant to Section 3-38-21 NMSA 1978.

Lodgers’ Tax Promotional – To account for lodgers’ taxes used to promote the City pursuant to Section 3-38-21 NMSA 1978.

Fiesta Council – To account for funds raised by the Fiesta Council to put on the Espanola Fiestas.

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 pursuant to Sections 67-16-1 to 67-16-14 NMSA 1978.

Municipal Service Improvements – To account for municipal gross receipts Section 7-9-3.5 NMSA 1978, dedicated for improvements to the municipal streets, buildings, police department and recreational facilities .

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.

Capital Projects Esp 8 – To account for capital projects for Espanola 8 NMFA loan.

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.

GRT Asset Replacement – To capital projects GRT revenues for asset replacement initiative.

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2012

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.

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

1994 Bond Debt Reserve – To account for the bond reserve held for payments of the 1994 bond.

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 account for trust monies related to debt of the City.

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

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

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

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2012

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.

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	Recreation	Teen Court	Weed and Seed Grant	Bullet Proof Vest Grant
<i>Assets</i>				
Cash and cash equivalents	\$ 584	\$ 22,094	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
<i>Total assets</i>	\$ 584	\$ 22,094	\$ -	\$ -
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to state	-	-	-	-
Due to other funds	-	-	-	16,206
	-	-	-	16,206
<i>Total liabilities</i>	-	-	-	16,206
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	-	-	-	-
Recreation	584	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	22,094	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	(16,206)
<i>Total fund balances</i>	584	22,094	-	(16,206)
<i>Total liabilities and fund balances</i>	\$ 584	\$ 22,094	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Special Revenue

Operation Buckle Down	G.R.E.A.T. Grant	COPS in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant	Library Grant
\$ -	\$ -	\$ -	\$ 6,761	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,761</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	849	-	259	-
-	-	-	-	-	-
4,924	15,684	333,954	-	-	-
<u>4,924</u>	<u>15,684</u>	<u>334,803</u>	<u>-</u>	<u>259</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,761	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(4,924)	(15,684)	(334,803)	-	(259)	-
<u>(4,924)</u>	<u>(15,684)</u>	<u>(334,803)</u>	<u>6,761</u>	<u>(259)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,761</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	Transit System Grant	Summer Lunch Program	Click It or Ticket	EMS
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 8,447
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
<i>Total assets</i>	\$ -	\$ -	\$ -	\$ 8,447
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	110	-
Due to state	-	-	-	-
Due to other funds	-	-	7,325	-
	-	-	7,325	-
<i>Total liabilities</i>	-	-	7,325	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	-	-	-	-
Recreation	-	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	8,447
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	(7,435)	-
	-	-	(7,435)	8,447
<i>Total fund balances</i>	-	-	(7,435)	8,447
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ -	\$ 8,447

The accompanying notes are an integral part of these financial statements

Special Revenue

Wildland Grant	Law		Days and Nights of Summer	DWI Program Enforcement	Public Safety Grants
	Enforcement Technology	Firefighters			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,080	-	-	-	-	9,776
-	-	-	-	-	-
<u>\$ 3,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,776</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	625
-	6,425	-	-	-	-
<u>6,622</u>	<u>-</u>	<u>-</u>	<u>985</u>	<u>20,462</u>	<u>22,299</u>
<u>6,622</u>	<u>6,425</u>	<u>-</u>	<u>985</u>	<u>20,462</u>	<u>22,924</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(3,542)</u>	<u>(6,425)</u>	<u>-</u>	<u>(985)</u>	<u>(20,462)</u>	<u>(13,148)</u>
<u>(3,542)</u>	<u>(6,425)</u>	<u>-</u>	<u>(985)</u>	<u>(20,462)</u>	<u>(13,148)</u>
<u>\$ 3,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,776</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	E-911 Grant	Fire Protection	Roads and Streets	Law Enforcement Protection
<i>Assets</i>				
Cash and cash equivalents	\$ 520,692	\$ 65,094	\$ -	\$ 27,307
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Other receivables	-	-	34,306	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 520,692</u>	<u>\$ 65,094</u>	<u>\$ 34,306</u>	<u>\$ 27,307</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 14,689	\$ 7,893	\$ -
Accrued payroll	12,593	-	-	-
Due to state	-	-	-	-
Due to other funds	504,095	-	43,341	-
<i>Total liabilities</i>	<u>516,688</u>	<u>14,689</u>	<u>51,234</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	-	-	-	-
Recreation	-	-	-	-
Fire departments	-	50,405	-	-
Tourism	-	-	-	-
Public safety	4,004	-	-	27,307
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	(16,928)	-
<i>Total fund balances</i>	<u>4,004</u>	<u>50,405</u>	<u>(16,928)</u>	<u>27,307</u>
<i>Total liabilities and fund balances</i>	<u>\$ 520,692</u>	<u>\$ 65,094</u>	<u>\$ 34,306</u>	<u>\$ 27,307</u>

The accompanying notes are an integral part of these financial statements

Special Revenue						NMDOT Litter Control and Beautification
Fire Discretionary	Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation		
\$ 13,458	\$ -	\$ 40,030	\$ 5,067	\$ 38,857	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	7,875	-	14,123	-	-	
-	-	4,899	-	-	-	
<u>\$ 13,458</u>	<u>\$ 7,875</u>	<u>\$ 44,929</u>	<u>\$ 19,190</u>	<u>\$ 38,857</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ 240	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	2,482
-	-	-	240	-	-	2,482
-	-	-	18,950	38,857	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	7,875	44,929	-	-	-	
13,458	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	(2,482)
<u>13,458</u>	<u>7,875</u>	<u>44,929</u>	<u>18,950</u>	<u>38,857</u>	<u>(2,482)</u>	
<u>\$ 13,458</u>	<u>\$ 7,875</u>	<u>\$ 44,929</u>	<u>\$ 19,190</u>	<u>\$ 38,857</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue	Capital Projects		
	Municipal Service Improvements	Plaza Development	Capital Projects Grants	NMLA Capital Improvements Grant
<i>Assets</i>				
Cash and cash equivalents	\$ 975,214	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Other receivables	124,966	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	\$ 1,100,180	\$ -	\$ -	\$ -
<i>Liabilities</i>				
Accounts payable	\$ 71,620	\$ -	\$ 15,146	\$ -
Accrued payroll	-	-	-	-
Due to state	-	-	-	-
Due to other funds	-	23,926	505,365	208,918
<i>Total liabilities</i>	71,620	23,926	520,511	208,918
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	1,028,560	-	-	-
Recreation	-	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	(23,926)	(520,511)	(208,918)
<i>Total fund balances</i>	1,028,560	(23,926)	(520,511)	(208,918)
<i>Total liabilities and fund balances</i>	\$ 1,100,180	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Capital Projects					
NM DOT Grant	USDA Grants	Capital Projects Esp 8	NM SAP W/WW Project Grant	Federal W/WW Project Grant	NMFA Trust Board
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
646,350	22,419	36,657	-	347,482	417,300
<u>646,350</u>	<u>22,419</u>	<u>36,657</u>	<u>-</u>	<u>347,482</u>	<u>417,300</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(646,350)	(22,419)	(36,657)	-	(347,482)	(417,300)
<u>(646,350)</u>	<u>(22,419)</u>	<u>(36,657)</u>	<u>-</u>	<u>(347,482)</u>	<u>(417,300)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Capital Projects</u>			<u>Debt Service</u>
	<u>State Water Project Grants</u>	<u>State Agency on Aging Grants</u>	<u>GRT Asset Replacement</u>	<u>RUS Loan Debt Service</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 29,205	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Other receivables	-	-	-	-
Due from other funds	-	-	49,069	-
<i>Total assets</i>	<u>\$ 29,205</u>	<u>\$ -</u>	<u>\$ 49,069</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to state	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	-	-	-	-
Recreation	-	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	29,205	-	49,069	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>29,205</u>	<u>-</u>	<u>49,069</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 29,205</u>	<u>\$ -</u>	<u>\$ 49,069</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Debt Service

Environmental Department Loan	NMFA Debt Service	NMFA WWW Debt Service	1994 Bond Debt Reserve	NMFA DWSRF Debt Service	NMED CWSRF Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	59,013	-	-	-	542,557
-	32,454	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 91,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,557</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	91,467	-	-	-	542,557
-	-	-	-	-	-
<u>-</u>	<u>91,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,557</u>
<u>\$ -</u>	<u>\$ 91,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,557</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Debt Service			
	Trust Service Fund	NMFA Loan Reserve	NMFA PPR Equipment Project Loan	USDA Loan / Police Department
<i>Assets</i>				
Cash and cash equivalents	\$ 3	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	208,205	-
Investments	-	-	387,099	-
Receivables:				
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 595,304</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to state	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General county operations	-	-	-	-
Recreation	-	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	3	-	595,304	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>3</u>	<u>-</u>	<u>595,304</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 595,304</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Total Nonmajor
Governmental
Funds

\$ 1,752,813
809,775
419,553

194,126
53,968

\$ 3,230,235

\$ 109,588
14,436
6,425
3,186,796

3,317,245

1,086,367
584
50,405
52,804
82,071
78,274
1,229,331

(2,666,846)
(87,010)

\$ 3,230,235

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			
	Recreation	Teen Court	Weed and Seed Grant	Bullet Proof Vest Grant
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Other	19	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	7,500	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>19</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	6,795	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>6,795</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>19</u>	<u>705</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>19</u>	<u>705</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	6,125	27,201	18,673	(16,206)
<i>Fund balances - restatement</i>	<u>(5,560)</u>	<u>(5,812)</u>	<u>(18,673)</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>565</u>	<u>21,389</u>	<u>-</u>	<u>(16,206)</u>
<i>Fund balances - end of year</i>	<u>\$ 584</u>	<u>\$ 22,094</u>	<u>\$ -</u>	<u>\$ (16,206)</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Operation Buckle Down	G.R.E.A.T. Grant	COPS in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant	Library Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	21,525	-	-
260	-	-	-	7,440	5,977
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>260</u>	<u>-</u>	<u>-</u>	<u>21,525</u>	<u>7,440</u>	<u>5,977</u>
-	-	-	-	-	-
2,779	3,993	120,264	15,580	7,970	-
-	-	-	-	-	-
-	-	-	-	-	29,762
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,779</u>	<u>3,993</u>	<u>120,264</u>	<u>15,580</u>	<u>7,970</u>	<u>29,762</u>
<u>(2,519)</u>	<u>(3,993)</u>	<u>(120,264)</u>	<u>5,945</u>	<u>(530)</u>	<u>(23,785)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(2,519)</u>	<u>(3,993)</u>	<u>(120,264)</u>	<u>5,945</u>	<u>(530)</u>	<u>(23,785)</u>
(12,961)	(11,691)	(214,183)	3,315	(684)	47,881
<u>10,556</u>	<u>-</u>	<u>(356)</u>	<u>(2,499)</u>	<u>955</u>	<u>(24,096)</u>
<u>(2,405)</u>	<u>(11,691)</u>	<u>(214,539)</u>	<u>816</u>	<u>271</u>	<u>23,785</u>
<u>\$ (4,924)</u>	<u>\$ (15,684)</u>	<u>\$ (334,803)</u>	<u>\$ 6,761</u>	<u>\$ (259)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			
	Transit System Grant	Summer Lunch Program	Click It or Ticket	EMS
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	9,201
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,201</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	1,507	6,900
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>1,507</u>	<u>6,900</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,507)</u>	<u>2,301</u>
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(1,507)</u>	<u>2,301</u>
<i>Fund balances - beginning of year</i>	(142,464)	(45,610)	(903)	7,300
<i>Fund balances - restatement</i>	<u>142,464</u>	<u>45,610</u>	<u>(5,025)</u>	<u>(1,154)</u>
<i>Fund balances - as restated</i>	<u>-</u>	<u>-</u>	<u>(5,928)</u>	<u>6,146</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,435)</u>	<u>\$ 8,447</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Wildland Grant	Law Enforcement Technology	Firefighters	Days and Nights of Summer	DWI Program Enforcement	Public Safety Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,080	-	-	-	-	64,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,773</u>
-	-	-	-	-	-
-	-	-	1,890	-	43,864
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,890	-	43,864
<u>3,080</u>	<u>-</u>	<u>-</u>	<u>(1,890)</u>	<u>-</u>	<u>20,909</u>
-	(6,425)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(6,425)	-	-	-	-
<u>3,080</u>	<u>(6,425)</u>	<u>-</u>	<u>(1,890)</u>	<u>-</u>	<u>20,909</u>
(6,622)	(14,055)	(74,668)	2,680	(20,462)	(24,655)
-	14,055	74,668	(1,775)	-	(9,402)
<u>(6,622)</u>	<u>-</u>	<u>-</u>	<u>905</u>	<u>(20,462)</u>	<u>(34,057)</u>
<u>\$ (3,542)</u>	<u>\$ (6,425)</u>	<u>\$ -</u>	<u>\$ (985)</u>	<u>\$ (20,462)</u>	<u>\$ (13,148)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			
	E-911 Grant	Fire Protection	Roads and Streets	Law Enforcement Protection
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	932,329	-	-	-
Gasoline and motor vehicle taxes	-	-	450,914	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	262,194	-	33,800
State capital grants	-	-	-	-
Charges for services	-	-	8,410	-
Investment income	1,412	1,009	-	-
Rental income	-	-	-	-
Miscellaneous	32,115	-	-	-
<i>Total revenues</i>	<u>965,856</u>	<u>263,203</u>	<u>459,324</u>	<u>33,800</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	950,123	222,841	-	2,900
Public works	-	-	555,387	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	45,334	-	-
Interest	-	14,282	-	-
<i>Total expenditures</i>	<u>950,123</u>	<u>282,457</u>	<u>555,387</u>	<u>2,900</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,733</u>	<u>(19,254)</u>	<u>(96,063)</u>	<u>30,900</u>
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(15,560)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,560)</u>
<i>Net change in fund balances</i>	<u>15,733</u>	<u>(19,254)</u>	<u>(96,063)</u>	<u>15,340</u>
<i>Fund balances - beginning of year</i>	(5,454)	153,734	102,260	51,191
<i>Fund balances - restatement</i>	<u>(6,275)</u>	<u>(84,075)</u>	<u>(23,125)</u>	<u>(39,224)</u>
<i>Fund balances - as restated</i>	<u>(11,729)</u>	<u>69,659</u>	<u>79,135</u>	<u>11,967</u>
<i>Fund balances - end of year</i>	<u>\$ 4,004</u>	<u>\$ 50,405</u>	<u>\$ (16,928)</u>	<u>\$ 27,307</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Fire Discretionary	Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation	NMDOT Litter Control and Beautification
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	54,388	-	11,846	-	-
-	-	-	-	-	-
-	-	-	-	-	2,932
-	-	-	-	-	-
-	-	-	20,427	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	44,482	-	-
-	54,388	-	76,755	-	2,932
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	450
-	-	20,880	75,763	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	20,880	75,763	-	450
-	54,388	(20,880)	992	-	2,482
-	-	-	-	-	-
-	38,863	33,600	-	-	-
-	(74,713)	(59,127)	-	-	-
-	(35,850)	(25,527)	-	-	-
-	18,538	(46,407)	992	-	2,482
18,432	(10,663)	91,336	9,930	(38,003)	(4,767)
(4,974)	-	-	8,028	76,860	(197)
13,458	(10,663)	91,336	17,958	38,857	(4,964)
\$ 13,458	\$ 7,875	\$ 44,929	\$ 18,950	\$ 38,857	\$ (2,482)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue		Capital Projects	
	Municipal Service Improvements	Plaza Development	Capital Projects Grants	NMLA Capital Improvements Grant
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	807,677	-	-	-
State capital grants	-	-	-	2,584
Charges for services	-	233	-	-
Investment income	-	-	-	-
Rental income	-	2,735	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	807,677	2,968	-	2,584
<i>Expenditures</i>				
Current				
General government	-	-	359,761	-
Public safety	-	-	-	-
Public works	551,037	-	-	-
Culture and recreation	-	26,507	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	551,037	26,507	359,761	-
<i>Excess (deficiency) of revenues over expenditures</i>	256,640	(23,539)	(359,761)	2,584
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	20,000	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	20,000	-	-
<i>Net change in fund balances</i>	256,640	(3,539)	(359,761)	2,584
<i>Fund balances - beginning of year</i>	782,542	(24,311)	849,708	(215,634)
<i>Fund balances - restatement</i>	(10,622)	3,924	(1,010,458)	4,132
<i>Fund balances - as restated</i>	771,920	(20,387)	(160,750)	(211,502)
<i>Fund balances - end of year</i>	\$ 1,028,560	\$ (23,926)	\$ (520,511)	\$ (208,918)

The accompanying notes are an integral part of these financial statements

Capital Projects

NM DOT Grant	USDA Grants	Capital Projects Esp 8	NM SAP W/WW Project Grant	Federal W/WW Project Grant	NMFA Trust Board
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
364,244	-	-	-	-	360,960
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>364,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,960</u>
-	-	-	-	-	-
-	-	-	-	-	-
291,733	-	-	-	10,971	28,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>291,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,971</u>	<u>28,500</u>
<u>72,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,971)</u>	<u>332,460</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>72,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,971)</u>	<u>332,460</u>
(646,350)	(22,428)	(36,657)	31,519	(336,511)	(417,300)
(72,511)	9	-	(31,519)	-	(332,460)
<u>(718,861)</u>	<u>(22,419)</u>	<u>(36,657)</u>	<u>-</u>	<u>(336,511)</u>	<u>(749,760)</u>
<u>\$ (646,350)</u>	<u>\$ (22,419)</u>	<u>\$ (36,657)</u>	<u>\$ -</u>	<u>\$ (347,482)</u>	<u>\$ (417,300)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Capital Projects			Debt Service
	State Water Project Grants	State Agency on Aging Grants	GRT Asset Replacement	RUS Loan Debt Service
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	11,700
Interest	-	-	-	3,944
<i>Total expenditures</i>	-	-	-	15,644
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	(15,644)
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	-	156,537	136,368
Transfers out	-	-	-	(700,008)
<i>Total other financing sources (uses)</i>	-	-	156,537	(563,640)
<i>Net change in fund balances</i>	-	-	156,537	(579,284)
<i>Fund balances - beginning of year</i>	20,170	(8,957)	-	389,165
<i>Fund balances - restatement</i>	9,035	8,957	(107,468)	190,119
<i>Fund balances - as restated</i>	29,205	-	(107,468)	579,284
<i>Fund balances - end of year</i>	\$ 29,205	\$ -	\$ 49,069	\$ -

The accompanying notes are an integral part of these financial statements

Debt Service

Environmental Department Loan	NMFA Debt Service	NMFA WWW Debt Service	1994 Bond Debt Reserve	NMFA DWSRF Debt Service	NMED CWSRF Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	186	-	-	-	11
-	-	-	-	-	-
-	-	-	-	-	-
-	186	-	-	-	11
-	-	-	-	-	1,605
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	25,931	-	-	-	-
-	14,582	-	-	2	-
-	40,513	-	-	2	1,605
-	(40,327)	-	-	(2)	(1,594)
-	-	-	-	-	-
-	125,940	91,781	-	62,662	30
-	(270,682)	-	-	-	(16,611)
-	(144,742)	91,781	-	62,662	(16,581)
-	(185,069)	91,781	-	62,660	(18,175)
212,844	188,349	(945,816)	653,477	(711,704)	802,352
(212,844)	88,187	854,035	(653,477)	649,044	(241,620)
-	276,536	(91,781)	-	(62,660)	560,732
\$ -	\$ 91,467	\$ -	\$ -	\$ -	\$ 542,557

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Espanola
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Debt Service			
	Trust Service Fund	NMFA Loan Reserve	NMFA PPR Equipment Project Loan	USDA Loan / Police Department
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	1,634	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,634</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	295,000	-
Interest	-	-	99,483	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>394,483</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(392,849)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Reversion to state	-	-	-	-
Transfers in	-	-	356,619	15,560
Transfers out	-	(525,000)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(525,000)</u>	<u>356,619</u>	<u>15,560</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>(525,000)</u>	<u>(36,230)</u>	<u>15,560</u>
<i>Fund balances - beginning of year</i>	8,506	458,418	1,780,613	(109,411)
<i>Fund balances - restatement</i>	<u>(8,503)</u>	<u>66,582</u>	<u>(1,149,079)</u>	<u>93,851</u>
<i>Fund balances - as restated</i>	<u>3</u>	<u>525,000</u>	<u>631,534</u>	<u>(15,560)</u>
<i>Fund balances - end of year</i>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 595,304</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Total Nonmajor
Governmental
Funds

\$	-
	932,329
	450,914
	66,253
	21,525
	1,204,834
	727,788
	29,070
	4,252
	2,735
	76,597
	<u>3,516,297</u>
	361,366
	1,387,406
	1,438,078
	152,912
	-
	377,965
	132,293
	<u>3,850,020</u>
	<u>(333,723)</u>
	(6,425)
	1,037,960
	<u>(1,661,701)</u>
	<u>(630,166)</u>
	<u>(963,889)</u>
	2,598,591
	<u>(1,721,712)</u>
	<u>876,879</u>
\$	<u><u>(87,010)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-1

City of Espanola

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	19	19
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
<i>Fund balance - beginning of year</i>	-	-	6,125	6,125
<i>Fund balance- restatement</i>	-	-	(5,560)	(5,560)
<i>Fund balance- as restated</i>	-	-	565	565
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584</u>	<u>\$ 584</u>
Net change in fund balance (Non-GAAP basis)				\$ 19
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 19</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Espanola

Teen Court Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	6,000	7,500	7,500	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,000</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	5,275	12,667	6,795	5,872
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	725	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,000</u>	<u>12,667</u>	<u>6,795</u>	<u>5,872</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(5,167)</u>	<u>705</u>	<u>5,872</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	5,167	-	(5,167)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>5,167</u>	<u>-</u>	<u>(5,167)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>705</u>	<u>705</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>27,201</u>	<u>27,201</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(5,812)</u>	<u>(5,812)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>21,389</u>	<u>21,389</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,094</u>	<u>\$ 22,094</u>
Net change in fund balance (Non-GAAP basis)				\$ 705
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 705</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Espanola

Weed and Seed Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	18,673	18,673
<i>Fund balance- restatement</i>	-	-	(18,673)	(18,673)
<i>Fund balance- as restated</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

City of Espanola

Bullet Proof Vest Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(16,206)	(16,206)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,206)</u>	<u>\$ (16,206)</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Espanola

Operation Buckle Down Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	2,562	2,562	260	(2,302)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,562</u>	<u>2,562</u>	<u>260</u>	<u>(2,302)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	2,562	2,562	2,779	(217)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,562</u>	<u>2,562</u>	<u>2,779</u>	<u>(217)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,519)</u>	<u>(2,519)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(2,519)</u>	<u>(2,519)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(12,961)</u>	<u>(12,961)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>10,556</u>	<u>10,556</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(2,405)</u>	<u>(2,405)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,924)</u>	<u>\$ (4,924)</u>
Net change in fund balance (Non-GAAP basis)				\$ (2,519)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (2,519)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Espanola

G.R.E.A.T Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	3,993	(3,993)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>3,993</u>	<u>(3,993)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(3,993)</u>	<u>(3,993)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(3,993)	(3,993)
<i>Fund balance - beginning of year</i>	-	-	(11,691)	(11,691)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,684)</u>	<u>\$ (15,684)</u>
Net change in fund balance (Non-GAAP basis)				\$ (3,993)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3,993)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Espanola

COPS in Schools Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	37,089	37,089	-	(37,089)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,089</u>	<u>37,089</u>	<u>-</u>	<u>(37,089)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	37,089	37,089	119,415	(82,326)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,089</u>	<u>37,089</u>	<u>119,415</u>	<u>(82,326)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(119,415)</u>	<u>(119,415)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(119,415)</u>	<u>(119,415)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(214,183)</u>	<u>(214,183)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(356)</u>	<u>(356)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(214,539)</u>	<u>(214,539)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333,954)</u>	<u>\$ (333,954)</u>
Net change in fund balance (Non-GAAP basis)				\$ (119,415)
No adjustments to revenues				-
Adjustments to expenditures for public safety expenditures				(849)
Net change in fund balance (GAAP basis)				<u>\$ (120,264)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Espanola

Byrne Justice Assistance Grant Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	12,434	21,861	21,525	(336)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,434</u>	<u>21,861</u>	<u>21,525</u>	<u>(336)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	12,434	21,861	15,580	6,281
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,434</u>	<u>21,861</u>	<u>15,580</u>	<u>6,281</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>5,945</u>	<u>5,945</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>5,945</u>	<u>5,945</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,315</u>	<u>3,315</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(2,499)</u>	<u>(2,499)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>816</u>	<u>816</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,761</u>	<u>\$ 6,761</u>
Net change in fund balance (Non-GAAP basis)				\$ 5,945
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 5,945</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

City of Espanola

Operation DWI State Grant Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	13,229	13,229	7,440	(5,789)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>13,229</u>	<u>13,229</u>	<u>7,440</u>	<u>(5,789)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	13,229	13,229	7,711	5,518
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>13,229</u>	<u>13,229</u>	<u>7,711</u>	<u>5,518</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(271)</u>	<u>(271)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(271)</u>	<u>(271)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(684)</u>	<u>(684)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>955</u>	<u>955</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>271</u>	<u>271</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ (271)
No adjustments to revenues				-
Adjustments to expenditures for public safety				(259)
Net change in fund balance (GAAP basis)				<u>\$ (530)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

City of Espanola

Library Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	11,804	11,804	5,977	(5,827)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>11,804</u>	<u>11,804</u>	<u>5,977</u>	<u>(5,827)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	11,804	11,804	29,762	(17,958)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,804</u>	<u>11,804</u>	<u>29,762</u>	<u>(17,958)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(23,785)</u>	<u>(23,785)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(23,785)</u>	<u>(23,785)</u>
<i>Fund balance - beginning of year</i>	-	-	47,881	47,881
<i>Fund balance- restatement</i>	-	-	(24,096)	(24,096)
<i>Fund balance- as restated</i>	-	-	23,785	23,785
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ (23,785)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (23,785)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

City of Espanola

Transit System Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(142,464)	(142,464)
<i>Fund balance- restatement</i>	-	-	142,464	142,464
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Espanola

Summer Lunch Program Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(45,610)	(45,610)
<i>Fund balance- restatement</i>	-	-	45,610	45,610
<i>Fund balance- as restated</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

City of Espanola

Click It or Ticket Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	1,680	1,680	1,397	283
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,680</u>	<u>1,680</u>	<u>1,397</u>	<u>283</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,680)</u>	<u>(1,680)</u>	<u>(1,397)</u>	<u>283</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,680	1,680	-	(1,680)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,680</u>	<u>1,680</u>	<u>-</u>	<u>(1,680)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,397)</u>	<u>(1,397)</u>
<i>Fund balance - beginning of year</i>	-	-	(903)	(903)
<i>Fund balance- restatement</i>	-	-	(5,025)	(5,025)
<i>Fund balance- as restated</i>	-	-	(5,928)	(5,928)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,325)</u>	<u>\$ (7,325)</u>
Net change in fund balance (Non-GAAP basis)				\$ (1,397)
No adjustments to revenues				-
Adjustments to expenditures for public safety				(110)
Net change in fund balance (GAAP basis)				<u>\$ (1,507)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Espanola

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	9,188	9,188	9,201	13
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,188</u>	<u>9,188</u>	<u>9,201</u>	<u>13</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	9,188	9,188	6,900	2,288
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,188</u>	<u>9,188</u>	<u>6,900</u>	<u>2,288</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,301</u>	<u>2,301</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,301</u>	<u>2,301</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,300</u>	<u>7,300</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(1,154)</u>	<u>(1,154)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>6,146</u>	<u>6,146</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,447</u>	<u>\$ 8,447</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,301
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,301</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Espanola

Wildland Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(6,622)	(6,622)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,622)</u>	<u>\$ (6,622)</u>
Net change in fund balance (Non-GAAP basis)				\$ -
Adjustments to revenues for state grants				3,080
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 3,080</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Espanola

Law Enforcement Technology Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Reversion to state	-	-	(6,425)	(6,425)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(6,425)</u>	<u>(6,425)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(6,425)</u>	<u>(6,425)</u>
<i>Fund balance - beginning of year</i>	-	-	(14,055)	(14,055)
<i>Fund balance- restatement</i>	-	-	14,055	14,055
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,425)</u>	<u>\$ (6,425)</u>
Net change in fund balance (Non-GAAP basis)				\$ (6,425)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (6,425)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

City of Espanola

Firefighters Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(74,668)	(74,668)
<i>Fund balance- restatement</i>	-	-	74,668	74,668
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

City of Espanola

Days and Nights of Summer Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	3,322	3,321	1,890	1,431
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,322</u>	<u>3,321</u>	<u>1,890</u>	<u>1,431</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,322)</u>	<u>(3,321)</u>	<u>(1,890)</u>	<u>1,431</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	3,322	3,321	-	(3,321)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>3,322</u>	<u>3,321</u>	<u>-</u>	<u>(3,321)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,890)</u>	<u>(1,890)</u>
<i>Fund balance - beginning of year</i>	-	-	2,680	2,680
<i>Fund balance- restatement</i>	-	-	(1,775)	(1,775)
<i>Fund balance- as restated</i>	-	-	905	905
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (985)</u>	<u>\$ (985)</u>
Net change in fund balance (Non-GAAP basis)				\$ (1,890)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (1,890)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

City of Espanola

DWI Program Enforcement Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(20,462)	(20,462)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,462)</u>	<u>\$ (20,462)</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

City of Espanola

Public Safety Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	179,373	179,373	54,997	(124,376)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>179,373</u>	<u>179,373</u>	<u>54,997</u>	<u>(124,376)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	179,373	179,373	43,239	136,134
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>179,373</u>	<u>179,373</u>	<u>43,239</u>	<u>136,134</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>11,758</u>	<u>11,758</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>11,758</u>	<u>11,758</u>
<i>Fund balance - beginning of year</i>	-	-	(24,655)	(24,655)
<i>Fund balance- restatement</i>	-	-	(9,402)	(9,402)
<i>Fund balance- as restated</i>	-	-	(34,057)	(34,057)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,299)</u>	<u>\$ (22,299)</u>
Net change in fund balance (Non-GAAP basis)				\$ 11,758
Adjustments to revenues for state operating grants				9,776
Adjustments to expenditures for public safety				(625)
Net change in fund balance (GAAP basis)				<u>\$ 20,909</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-21

City of Espanola

E-911 Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	932,281	932,281	932,329	48
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	400	400	1,412	1,012
Miscellaneous	800	20,989	32,115	11,126
<i>Total revenues</i>	<u>933,481</u>	<u>953,670</u>	<u>965,856</u>	<u>12,186</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	927,377	952,575	937,530	15,045
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>927,377</u>	<u>952,575</u>	<u>937,530</u>	<u>15,045</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,104</u>	<u>1,095</u>	<u>28,326</u>	<u>27,231</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	3,217	8,226	-	(8,226)
Transfers in	-	-	-	-
Transfers out	(9,321)	(9,321)	-	9,321
<i>Total other financing sources (uses)</i>	<u>(6,104)</u>	<u>(1,095)</u>	<u>-</u>	<u>1,095</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>28,326</u>	<u>28,326</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(5,454)</u>	<u>(5,454)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(6,275)</u>	<u>(6,275)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(11,729)</u>	<u>(11,729)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,597</u>	<u>\$ 16,597</u>
Net change in fund balance (Non-GAAP basis)				\$ 28,326
No adjustments to revenues				-
Adjustments to expenditures for public safety				(12,593)
Net change in fund balance (GAAP basis)				<u>\$ 15,733</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-22

City of Espanola

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	207,000	207,000	262,194	55,194
State capital grants	-	-	-	-
Investment income (loss)	-	-	1,009	1,009
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>207,000</u>	<u>207,000</u>	<u>263,203</u>	<u>56,203</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	316,000	309,299	206,570	102,729
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	48,000	59,700	45,334	14,366
Interest	-	-	14,282	(14,282)
<i>Total expenditures</i>	<u>364,000</u>	<u>368,999</u>	<u>266,186</u>	<u>102,813</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(157,000)</u>	<u>(161,999)</u>	<u>(2,983)</u>	<u>159,016</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	157,000	161,999	-	(161,999)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>157,000</u>	<u>161,999</u>	<u>-</u>	<u>(161,999)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(2,983)</u>	<u>(2983)</u>
<i>Fund balance - beginning of year</i>	-	-	152,152	152,152
<i>Fund balance- restatement</i>	-	-	(84,075)	(84,075)
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>68,077</u>	<u>68,077</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,094</u>	<u>\$ 65,094</u>
Net change in fund balance (Non-GAAP basis)				\$ (2,983)
No adjustments to revenues				-
Adjustments to expenditures for public safety				(16,271)
Net change in fund balance (GAAP basis)				<u>\$ (19,254)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-23

City of Espanola

Roads and Streets Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	527,000	527,000	416,608	(110,392)
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	1,000	1,000	8,410	7,410
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>528,000</u>	<u>528,000</u>	<u>425,018</u>	<u>(102,982)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	528,000	528,000	547,494	(19,494)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>528,000</u>	<u>528,000</u>	<u>547,494</u>	<u>(19,494)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(122,476)	(122,476)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	(122,476)	(122,476)
<i>Fund balance - beginning of year</i>	-	-	102,260	102,260
<i>Fund balance- restatement</i>	-	-	(23,125)	(23,125)
<i>Fund balance- as restated</i>	-	-	79,135	79,135
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,341)</u>	<u>\$ (43,341)</u>
Net change in fund balance (Non-GAAP basis)				\$ (122,476)
Adjustments to revenues for gasoline and motor vehicles				34,306
Adjustments to expenditures for public works				(7,893)
Net change in fund balance (GAAP basis)				<u>\$ (96,063)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-24

City of Espanola

Law Enforcement Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	33,800	33,800	33,800	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>33,800</u>	<u>33,800</u>	<u>33,800</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	18,150	18,150	2,900	15,250
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,150</u>	<u>18,150</u>	<u>2,900</u>	<u>15,250</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,650</u>	<u>15,650</u>	<u>30,900</u>	<u>15,250</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(15,650)	(15,650)	(15,560)	90
<i>Total other financing sources (uses)</i>	<u>(15,650)</u>	<u>(15,650)</u>	<u>(15,560)</u>	<u>90</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>15,340</u>	<u>15,340</u>
<i>Fund balance - beginning of year</i>	-	-	51,191	51,191
<i>Fund balance- restatement</i>	-	-	(39,224)	(39,224)
<i>Fund balance- as restated</i>	-	-	11,967	(39,224)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,307</u>	<u>\$ 27,307</u>
Net change in fund balance (Non-GAAP basis)				\$ 15,340
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 15,340</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-25

City of Espanola

Fire Discretionary Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	18,432	18,432
<i>Fund balance- restatement</i>	-	-	(4,974)	(4,974)
<i>Fund balance- as restated</i>	-	-	13,458	13,458
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,458</u>	<u>\$ 13,458</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-26

City of Espanola

Lodgers' Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	85,500	85,500	46,513	(38,987)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>85,500</u>	<u>85,500</u>	<u>46,513</u>	<u>(38,987)</u>
<i>Expenditures</i>				
Current				
General government	10,787	10,787	-	10,787
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,787</u>	<u>10,787</u>	<u>-</u>	<u>10,787</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>74,713</u>	<u>74,713</u>	<u>46,513</u>	<u>(28,200)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	38,863	38,863
Transfers out	(74,713)	(74,713)	(74,713)	-
<i>Total other financing sources (uses)</i>	<u>(74,713)</u>	<u>(74,713)</u>	<u>(35,850)</u>	<u>38,863</u>
<i>Net change in fund balance</i>	-	-	10,663	10,663
<i>Fund balance - beginning of year</i>	-	-	(10,663)	(10,663)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 10,663
Adjustments to revenues for other taxes				7,875
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 18,538</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-27

City of Espanola

Lodgers' Tax Promotional Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	33,600	33,600	20,880	12,720
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>33,600</u>	<u>33,600</u>	<u>20,880</u>	<u>12,720</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,600)</u>	<u>(33,600)</u>	<u>(20,880)</u>	<u>12,720</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	33,600	33,600	33,600	-
Transfers out	-	-	(59,127)	(59,127)
<i>Total other financing sources (uses)</i>	<u>33,600</u>	<u>33,600</u>	<u>(25,527)</u>	<u>(59,127)</u>
<i>Net change in fund balance</i>	-	-	(46,407)	(46,407)
<i>Fund balance - beginning of year</i>	-	-	91,336	91,336
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,929</u>	<u>\$ 44,929</u>
Net change in fund balance (Non-GAAP basis)				\$ (46,407)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (46,407)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

City of Espanola

Fiesta Council Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	10,000	10,000	11,846	1,846
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	14,400	14,400	13,977	(423)
Miscellaneous	30,600	30,600	36,809	6,209
<i>Total revenues</i>	<u>55,000</u>	<u>55,000</u>	<u>62,632</u>	<u>7,632</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	55,000	55,000	75,523	(20,523)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>55,000</u>	<u>55,000</u>	<u>75,523</u>	<u>(20,523)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(12,891)	(12,891)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	(12,891)	(12,891)
<i>Fund balance - beginning of year</i>	-	-	9,930	9,930
<i>Fund balance- restatement</i>	-	-	8,028	8,028
<i>Fund balance- as restated</i>	-	-	17,958	17,958
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,067</u>	<u>\$ 5,067</u>
Net change in fund balance (Non-GAAP basis)				\$ (12,891)
Adjustments to revenues for charges for service and miscellaneous revenues				14,123
Adjustments to expenditures for culture and recreation				(240)
Net change in fund balance (GAAP basis)				<u>\$ 992</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-29

City of Espanola

U.S. Bureau of Reclamation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(38,003)	(38,003)
<i>Fund balance- restatement</i>	-	-	76,860	76,860
<i>Fund balance- as restated</i>	-	-	38,857	38,857
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,857</u>	<u>\$ 38,857</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-30

City of Espanola

NMDOT Litter Control and Beautification Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	2,932	2,932
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2,932</u>	<u>2,932</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	450	(450)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>450</u>	<u>(450)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>2,482</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>2,482</u>
<i>Fund balance - beginning of year</i>	-	-	(4,767)	(4,767)
<i>Fund balance- restatement</i>	-	-	(197)	(197)
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(4,964)</u>	<u>(4,964)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,482)</u>	<u>\$ (2,482)</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,482
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,482</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-31

City of Espanola

Municipal Service Improvements Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	630,000	630,000	682,711	52,711
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>630,000</u>	<u>630,000</u>	<u>682,711</u>	<u>52,711</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	620,000	730,250	479,417	250,833
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>620,000</u>	<u>730,250</u>	<u>479,417</u>	<u>250,833</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,000</u>	<u>(100,250)</u>	<u>203,294</u>	<u>303,544</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(10,000)	100,250	-	(100,250)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(10,000)</u>	<u>100,250</u>	<u>-</u>	<u>(100,250)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>203,294</u>	<u>203,294</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>782,542</u>	<u>782,542</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(10,622)</u>	<u>(10,622)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>771,920</u>	<u>771,920</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 975,214</u>	<u>\$ 975,214</u>
Net change in fund balance (Non-GAAP basis)				\$ 203,294
Adjustments to revenues state grants				124,966
Adjustments to expenditures for public works				(71,620)
Net change in fund balance (GAAP basis)				<u>\$ 256,640</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-32

City of Espanola

Plaza Development Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	2,000	2,000	233	(1,767)
Rental income	4,000	4,000	2,735	(1,265)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,000</u>	<u>6,000</u>	<u>2,968</u>	<u>(3,032)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	66,000	66,000	26,507	39,493
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>66,000</u>	<u>66,000</u>	<u>26,507</u>	<u>39,493</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(23,539)</u>	<u>36,461</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	60,000	60,000	20,000	(40,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>60,000</u>	<u>60,000</u>	<u>20,000</u>	<u>(40,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(3,539)</u>	<u>(3,539)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(24,311)</u>	<u>(24,311)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>3,924</u>	<u>3,924</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(20,387)</u>	<u>(20,387)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,926)</u>	<u>\$ (23,926)</u>
Net change in fund balance (Non-GAAP basis)				\$ (3,539)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3,539)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-33

City of Espanola

Capital Projects Grants Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	335,000	345,250	(10,250)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>335,000</u>	<u>345,250</u>	<u>(10,250)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(335,000)</u>	<u>(345,250)</u>	<u>(10,250)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	335,000	-	(335,000)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>335,000</u>	<u>-</u>	<u>(335,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(345,250)</u>	<u>(345,250)</u>
<i>Fund balance - beginning of year</i>	-	-	850,343	850,343
<i>Fund balance- restatement</i>	-	-	(1,010,458)	(1,010,458)
<i>Fund balance- as restated</i>	-	-	(160,115)	(160,115)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(505,365)</u>	<u>(505,365)</u>
Net change in fund balance (Non-GAAP basis)				(345,250)
No adjustments to revenues				-
Adjustments to expenditures for general government				(14,511)
Net change in fund balance (GAAP basis)				<u>\$ (359,761)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-34

City of Espanola

NMLA Capital Improvements Grant Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	2,584	2,584	2,584	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,584</u>	<u>2,584</u>	<u>2,584</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	2,584	2,584	-	2,584
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,584</u>	<u>2,584</u>	<u>-</u>	<u>2,584</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,584</u>	<u>2,584</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,584</u>	<u>2,584</u>
<i>Fund balance - beginning of year</i>	-	-	(215,634)	(215,634)
<i>Fund balance- restatement</i>	-	-	4,132	4,132
<i>Fund balance- as restated</i>	-	-	(211,502)	(211,502)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (208,918)</u>	<u>\$ (208,918)</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,584
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,584</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-35

City of Espanola

NM DOT Grant Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	85,921	102,721	364,244	261,523
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>85,921</u>	<u>102,721</u>	<u>364,244</u>	<u>261,523</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	63,421	80,221	291,733	(211,512)
Culture and recreation	-	-	-	-
Capital outlay	22,500	22,500	-	22,500
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>85,921</u>	<u>102,721</u>	<u>291,733</u>	<u>(189,012)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>72,511</u>	<u>72,511</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>72,511</u>	<u>72,511</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(646,350)</u>	<u>(646,350)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>(72,511)</u>	<u>(72,511)</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(718,861)</u>	<u>(718,861)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (646,350)</u>	<u>\$ (646,350)</u>
Net change in fund balance (Non-GAAP basis)				\$ 72,511
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 72,511</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-36

City of Espanola

USDA Grants Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(22,428)	(22,428)
<i>Fund balance- restatement</i>	-	-	9	9
<i>Fund balance- as restated</i>	-	-	(22,419)	(22,419)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,419)</u>	<u>\$ (22,419)</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-37

City of Espanola

Capital Projects Esp 8 Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(36,657)	(36,657)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,657)</u>	<u>\$ (36,657)</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-38

City of Espanola

Infrastructure Projects Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	819,342	819,342	1,031,970	212,628
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>819,342</u>	<u>819,342</u>	<u>1,031,970</u>	<u>212,628</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	383,623	383,622	248,621	135,001
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>383,623</u>	<u>383,622</u>	<u>248,621</u>	<u>135,001</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>435,719</u>	<u>435,720</u>	<u>783,349</u>	<u>347,629</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	69,000	68,999	-	(68,999)
Transfers in	-	-	1,262,872	1,262,872
Transfers out	(504,719)	(504,719)	(725,682)	(220,963)
<i>Total other financing sources (uses)</i>	<u>(435,719)</u>	<u>(435,720)</u>	<u>537,190</u>	<u>972,910</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,320,539</u>	<u>1,320,539</u>
<i>Fund balance - beginning of year</i>	-	-	3,062,835	3,062,835
<i>Fund balance- restatement</i>	-	-	(1,883,383)	(1,883,383)
<i>Fund balance- as restated</i>	-	-	1,179,452	1,179,452
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,499,991</u>	<u>\$ 2,499,991</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,320,539
Adjustments to revenues for gross receipts				156,917
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,477,456</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-39

City of Espanola

NM SAP W/WW Project Grant Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	31,519	31,519
<i>Fund balance- restatement</i>	-	-	(31,519)	(31,519)
<i>Fund balance- as restated</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-40

City of Espanola

Federal W/WW Project Grant Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	2,260,881	2,260,881	-	(2,260,881)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,260,881</u>	<u>2,260,881</u>	<u>-</u>	<u>(2,260,881)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	217,212	217,212	10,971	206,241
Culture and recreation	-	-	-	-
Capital outlay	2,043,669	2,043,669	-	2,043,669
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,260,881</u>	<u>2,260,881</u>	<u>10,971</u>	<u>2,249,910</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(10,971)</u>	<u>(10,971)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(10,971)</u>	<u>(10,971)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(336,511)</u>	<u>(336,511)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (347,482)</u>	<u>\$ (347,482)</u>
Net change in fund balance (Non-GAAP basis)				\$ (10,971)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (10,971)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-41

City of Espanola

NMFA Trust Board Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	3,229,482	3,229,482	360,960	(2,868,522)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,229,482</u>	<u>3,229,482</u>	<u>360,960</u>	<u>(2,868,522)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	3,229,482	3,229,482	28,500	3,200,982
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,229,482</u>	<u>3,229,482</u>	<u>28,500</u>	<u>3,200,982</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	332,460	332,460
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	332,460	332,460
<i>Fund balance - beginning of year</i>	-	-	(417,300)	(417,300)
<i>Fund balance- restatement</i>	-	-	(332,460)	(332,460)
<i>Fund balance- as restated</i>	-	-	(749,760)	(749,760)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (417,300)</u>	<u>\$ (417,300)</u>
Net change in fund balance (Non-GAAP basis)				\$ 332,460
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 332,460</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-42

City of Espanola

State Water Project Grants Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	20,170	20,170
<i>Fund balance- restatement</i>	-	-	9,035	9,035
<i>Fund balance- as restated</i>	-	-	29,205	29,205
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,205</u>	<u>\$ 29,205</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-43

City of Espanola

State Agency on Aging Grants Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	(8,957)	(8,957)
<i>Fund balance- restatement</i>	-	-	8,957	8,957
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-44

City of Espanola

GRT Asset Replacement Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(156,537)	(156,537)	-	156,537
Transfers in	156,537	156,537	156,537	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>156,537</u>	<u>156,537</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>156,537</u>	<u>156,537</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance- restatement</i>	-	-	(107,468)	(107,468)
<i>Fund balance- as restated</i>	-	-	(107,468)	(107,468)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,069</u>	<u>\$ 49,069</u>
Net change in fund balance (Non-GAAP basis)				\$ 156,537
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 156,537</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-45

City of Espanola

2002 Bond Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	3,368	3,368
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,368</u>	<u>3,368</u>
<i>Expenditures</i>				
Current				
General government	-	-	49,202	(49,202)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	490,000	490,000	365,000	125,000
Interest	400,464	400,462	292,955	107,507
<i>Total expenditures</i>	<u>890,464</u>	<u>890,462</u>	<u>707,157</u>	<u>183,305</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(890,464)</u>	<u>(890,462)</u>	<u>(703,789)</u>	<u>186,673</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(94,384)	(94,386)	-	94,386
Transfers in	984,848	984,848	1,092,295	107,447
Transfers out	-	-	(686,230)	(686,230)
<i>Total other financing sources (uses)</i>	<u>890,464</u>	<u>890,462</u>	<u>406,065</u>	<u>(484,397)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(297,724)</u>	<u>(297,724)</u>
<i>Fund balance - beginning of year</i>	-	-	216,170	216,170
<i>Fund balance- restatement</i>	-	-	1,826,657	1,826,657
<i>Fund balance- as restated</i>	-	-	2,042,827	2,042,827
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,745,103</u>	<u>\$ 1,745,103</u>
Net change in fund balance (Non-GAAP basis)				\$ (297,724)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (297,724)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-46

City of Espanola

RUS Loan Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	15,119	15,119	11,700	3,419
Interest	39,916	39,916	3,944	35,972
<i>Total expenditures</i>	<u>55,035</u>	<u>55,035</u>	<u>15,644</u>	<u>39,391</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(55,035)</u>	<u>(55,035)</u>	<u>(15,644)</u>	<u>39,391</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	55,035	55,035	136,368	81,333
Transfers out	-	-	(700,008)	(700,008)
<i>Total other financing sources (uses)</i>	<u>55,035</u>	<u>55,035</u>	<u>(563,640)</u>	<u>(618,675)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(579,284)</u>	<u>(579,284)</u>
<i>Fund balance - beginning of year</i>	-	-	389,165	389,165
<i>Fund balance- restatement</i>	-	-	190,119	190,119
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>579,284</u>	<u>579,284</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ (579,284)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (579,284)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-47

City of Espanola

Environmental Department Loan Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	217,101	217,101	-	217,101
Interest	32,280	32,280	-	32,280
<i>Total expenditures</i>	<u>249,381</u>	<u>249,381</u>	<u>-</u>	<u>249,381</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(249,381)</u>	<u>(249,381)</u>	<u>-</u>	<u>249,381</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	249,381	249,381	-	(249,381)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>249,381</u>	<u>249,381</u>	<u>-</u>	<u>(249,381)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	212,844	212,844
<i>Fund balance- restatement</i>	-	-	(212,844)	(212,844)
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-48

City of Espanola

NMFA Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	186	186
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	160,931	160,931	25,931	135,000
Interest	49,975	49,975	14,582	35,393
<i>Total expenditures</i>	<u>210,906</u>	<u>210,906</u>	<u>40,513</u>	<u>170,393</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(210,906)</u>	<u>(210,906)</u>	<u>(40,327)</u>	<u>170,579</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	71,374	71,374	-	(71,374)
Transfers in	139,532	139,532	125,940	(13,592)
Transfers out	-	-	(270,682)	(270,682)
<i>Total other financing sources (uses)</i>	<u>210,906</u>	<u>210,906</u>	<u>(144,742)</u>	<u>(355,648)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(185,069)</u>	<u>(185,069)</u>
<i>Fund balance - beginning of year</i>	-	-	188,349	188,349
<i>Fund balance- restatement</i>	-	-	88,187	88,187
<i>Fund balance- as restated</i>	-	-	276,536	276,536
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,467</u>	<u>\$ 91,467</u>
Net change in fund balance (Non-GAAP basis)				\$ (185,069)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (185,069)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-49

City of Espanola

NMFA WWW Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	91,781	91,781
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>91,781</u>	<u>91,781</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>91,781</u>	<u>91,781</u>
<i>Fund balance - beginning of year</i>	-	-	(945,816)	(945,816)
<i>Fund balance- restatement</i>	-	-	854,035	854,035
<i>Fund balance- as restated</i>	-	-	(91,781)	(91,781)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 91,781
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 91,781</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-50

City of Espanola

1994 Bond Debt Reserve Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	653,477	653,477
<i>Fund balance - restatement</i>	-	-	(653,477)	(653,477)
<i>Fund balance - as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-51

City of Espanola

NMFA DWSRF Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	85,454	85,454	-	85,454
Interest	3,706	3,706	2	3,704
<i>Total expenditures</i>	<u>89,160</u>	<u>89,160</u>	<u>2</u>	<u>89,158</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(89,160)</u>	<u>(89,160)</u>	<u>(2)</u>	<u>89,158</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	89,160	89,160	62,662	(26,498)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>89,160</u>	<u>89,160</u>	<u>62,662</u>	<u>(26,498)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>62,660</u>	<u>62,660</u>
<i>Fund balance - beginning of year</i>	-	-	(711,704)	(711,704)
<i>Fund balance- restatement</i>	-	-	649,044	649,044
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(62,660)</u>	<u>(62,660)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 62,660
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 62,660</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-52

City of Espanola

NMED CWSRF Debt Service Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	11	11
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
<i>Expenditures</i>				
Current				
General government	-	-	1,605	(1,605)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	257,686	257,686	-	257,686
Interest	117,714	117,714	-	117,714
<i>Total expenditures</i>	<u>375,400</u>	<u>375,400</u>	<u>1,605</u>	<u>373,795</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(375,400)</u>	<u>(375,400)</u>	<u>(1,594)</u>	<u>373,806</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	375,400	375,400	30	(375,370)
Transfers out	-	-	(16,611)	(16,611)
<i>Total other financing sources (uses)</i>	<u>375,400</u>	<u>375,400</u>	<u>(16,581)</u>	<u>(391,981)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(18,175)</u>	<u>(18,175)</u>
<i>Fund balance - beginning of year</i>	-	-	802,352	802,352
<i>Fund balance- restatement</i>	-	-	(241,620)	(241,620)
<i>Fund balance- as restated</i>	-	-	560,732	560,732
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,557</u>	<u>\$ 542,557</u>
Net change in fund balance (Non-GAAP basis)				\$ (18,175)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (18,175)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-53

City of Espanola

Trust Service Fund Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>				
	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	8,506	8,506
<i>Fund balance- restatement</i>	-	-	(8,503)	(8,503)
<i>Fund balance- as restated</i>	-	-	3	3
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 3	\$ 3
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-54

City of Espanola

NMFA Loan Reserve Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(525,000)	(525,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(525,000)</u>	<u>(525,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(525,000)</u>	<u>(525,000)</u>
<i>Fund balance - beginning of year</i>	-	-	458,418	458,418
<i>Fund balance- restatement</i>	-	-	66,582	66,582
<i>Fund balance- as restated</i>	-	-	525,000	525,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ (525,000)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (525,000)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-55

City of Espanola

NMFA PPR Equipment Project Loan Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	1,634	1,634
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,634</u>	<u>1,634</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	61,700	61,700	295,000	(233,300)
Interest	3,950	3,950	99,483	(95,533)
<i>Total expenditures</i>	<u>65,650</u>	<u>65,650</u>	<u>394,483</u>	<u>(328,833)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(65,650)</u>	<u>(65,650)</u>	<u>(392,849)</u>	<u>(327,199)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	65,650	65,650	-	(65,650)
Transfers in	-	-	356,619	356,619
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>65,650</u>	<u>65,650</u>	<u>356,619</u>	<u>290,969</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(36,230)</u>	<u>(36,230)</u>
<i>Fund balance - beginning of year</i>	-	-	1,780,613	1,780,613
<i>Fund balance- restatement</i>	-	-	(1,149,079)	(1,149,079)
<i>Fund balance- as restated</i>	-	-	631,534	631,534
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,304</u>	<u>\$ 595,304</u>
Net change in fund balance (Non-GAAP basis)				\$ (36,230)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (36,230)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-56

City of Espanola

USDA Loan / Police Department Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	12,994	12,994	-	12,994
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,994</u>	<u>12,994</u>	<u>-</u>	<u>12,994</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,994)</u>	<u>(12,994)</u>	<u>-</u>	<u>12,994</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,566)	(2,566)	-	2,566
Transfers in	15,560	15,560	15,560	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,994</u>	<u>12,994</u>	<u>15,560</u>	<u>2,566</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>15,560</u>	<u>15,560</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(109,411)</u>	<u>(109,411)</u>
<i>Fund balance- restatement</i>	<u>-</u>	<u>-</u>	<u>93,851</u>	<u>93,851</u>
<i>Fund balance- as restated</i>	<u>-</u>	<u>-</u>	<u>(15,560)</u>	<u>(15,560)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 15,560
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 15,560</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-57

City of Espanola

Water and Wastewater Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 4,639,036	\$ 4,639,036	\$ 4,871,939	\$ 232,903
<i>Total operating revenues</i>	<u>4,639,036</u>	<u>4,639,036</u>	<u>4,871,939</u>	<u>232,903</u>
<i>Operating expenses</i>				
Personnel services	1,476,239	1,477,739	1,281,440	196,299
Contractual services	273,339	319,539	278,794	40,745
Supplies and services	805,575	648,875	468,093	180,782
Repairs and maintenance	305,000	414,000	279,177	134,823
Utilities	422,000	422,000	526,972	(104,972)
Depreciation expense	-	-	362,953	(362,953)
Bad debt expense	-	-	46,251	(46,251)
<i>Total operating expenses</i>	<u>3,282,153</u>	<u>3,282,153</u>	<u>3,243,680</u>	<u>38,473</u>
<i>Operating income (loss)</i>	<u>1,356,883</u>	<u>1,356,883</u>	<u>1,628,259</u>	<u>271,376</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	208,150	208,150	210,799	2,649
Interest expense	-	-	(184,190)	(184,190)
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>208,150</u>	<u>208,150</u>	<u>26,609</u>	<u>(181,541)</u>
<i>Income (loss) before transfers and grants</i>	<u>1,565,033</u>	<u>1,565,033</u>	<u>1,654,868</u>	<u>89,835</u>
Transfers	<u>(1,473,895)</u>	<u>(1,473,895)</u>	<u>(602,298)</u>	<u>871,597</u>
<i>Change in net assets</i>	<u>\$ 91,138</u>	<u>\$ 91,138</u>	<u>1,052,570</u>	<u>\$ 961,432</u>
<i>Total net assets, beginning of year</i>			7,069,377	
<i>Net assets restatement (Note 21)</i>			<u>(2,118,112)</u>	
<i>Net assets, as restated</i>			<u>4,951,265</u>	
<i>Total net assets, end of year</i>			<u>\$ 6,003,835</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-58

City of Espanola

Utility Asset Management Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budget Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies and services	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Bad debt expense	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
<i>Income (loss) before transfers and grants</i>	-	-	-	-
Transfers	-	-	-	-
<i>Change in net assets</i>	\$ -	\$ -	-	\$ -
<i>Total net assets, beginning of year</i>			(49,069)	
<i>Total net assets, end of year</i>			\$ (49,069)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-59

City of Espanola

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 96,057	\$ 96,057	\$ 1,217,741	\$ 1,121,684
<i>Total operating revenues</i>	96,057	96,057	1,217,741	1,121,684
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	50,000	50,000	33,379	16,621
Supplies and services	205,145	205,145	111,687	93,458
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Bad debt expense	-	-	7,172	(7,172)
<i>Total operating expenses</i>	255,145	255,145	152,238	102,907
<i>Operating income (loss)</i>	(159,088)	(159,088)	1,065,503	1,224,591
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	190,750	190,750	233,845	43,095
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	190,750	190,750	233,845	43,095
<i>Income (loss) before transfers and grants</i>	31,662	31,662	1,299,348	1,267,686
Transfers	(31,662)	(31,662)	(75,454)	(43,792)
<i>Change in net assets</i>	\$ -	\$ -	1,223,894	\$ 1,223,894
<i>Total net assets, beginning of year</i>			302,290	
<i>Net assets restatement (Note 21)</i>			(496,789)	
<i>Net assets, as restated</i>			(194,499)	
<i>Total net assets, end of year</i>			\$ 1,029,395	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Espanola
Schedule of Deposit and Investment Accounts
June 30, 2012

Schedule I
Page 1 of 2

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Valley National Bank					
Bond Court	Checking	\$ 71,378	\$ -	\$ -	\$ 71,378
E-911	Checking	547,282	-	2,190	545,092
Fire Fund	Checking	121,345	-	6,293	115,052
General Fund	Checking	2,273,293	23,643	130,837	2,166,099
Online Utility	Checking	128,645	-	-	128,645
Payroll Fund	Checking	25,859	94,344	62,320	57,883
Restricted Fund	Checking	953,273	-	-	953,273
General Fund- Express Bill Pay	Checking	19,125	234	-	19,359
Certificate of Deposit	CD	85,000	-	-	85,000
Certificate of Deposit	CD	70,000	-	-	70,000
Certificate of Deposit	CD	15,000	-	-	15,000
Certificate of Deposit	CD	58,929	-	-	58,929
Certificate of Deposit	CD	37,000	-	-	37,000
Certificate of Deposit	CD	6,000	-	-	6,000
Certificate of Deposit	CD	2,500,000	-	-	2,500,000
Total Valley National Bank		6,912,129	118,221	201,640	6,828,710
Community Bank					
General Fund	Checking	3,668	-	-	3,668
Total Community Bank		3,668	-	-	3,668
Bank of Albuquerque- Investments					
Espanola Municipal Infrastructure GRT Income Fund	U.S. Treasury Mutual Fund	167,111	-	-	167,111
Espanola Municipal Infrastructure GRT Debt Service	U.S. Treasury Mutual Fund	29	-	-	29
Espanola Municipal Infrastructure GRT Debt Service Reserve	U.S. Treasury Mutual Fund	375,411	-	-	375,411
Total Bank of Albuquerque		542,551	-	-	542,551
New Mexico Finance Authority - Investments and Cash Equivalents					
Espanola 1	State Treasurer Debt Service	40,743	-	-	40,743
Espanola 1- Reserve	State Treasurer Debt Service	50,724	-	-	50,724
Espanola 8	State Treasurer Debt Service	773,417	-	-	773,417
Espanola 8- Reserve	State Treasurer Debt Service	314,435	-	-	314,435
Espanola 8- Prog. Fund	State Treasurer Debt Service	187,023	-	-	187,023
Espanola 10- Prog.Fund	State Treasurer Debt Service	145,114	-	-	145,114
Espanola 12	State Treasurer Debt Service	132,083	-	-	132,083
Espanola 12- Reserve	State Treasurer Debt Service	38,200	-	-	38,200
		1,681,739	-	-	1,681,739

See independent auditors' report

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
New Mexico Finance Authority - Investments- continued					
Espanola 13	State Treasurer Debt Service	242,572	-	-	242,572
Espanola 13- Reserve	State Treasurer Debt Service	37,336	-	-	37,336
Total New Mexico Finance Authority		<u>1,961,646</u>	<u>-</u>	<u>-</u>	<u>1,961,646</u>
Total		<u>\$ 9,419,994</u>	<u>\$ 118,221</u>	<u>\$ 201,640</u>	9,336,575
New Mexico State Treasurer Local Government Investment Pool					\$ 1,766,998
Reserve Contingency Fund					1,208
Add: petty cash					470
Total deposits and investments					<u>\$ 11,105,251</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 3,767,173
Investments - Exhibit A-1					5,647,032
Restricted cash and cash equivalents - Exhibit A-1					1,354,306
Fiduciary funds cash and investments - Exhibit E-1					336,740
Total deposits and investments					<u>\$ 11,105,251</u>

See independent auditors' report

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STATE OF NEW MEXICO

Schedule II

City of Espanola

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2012

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market/Par Value at June 30, 2012	Location of Safekeeper
Valley National Bank					
	FHLMC FHR 1379 W	10/15/2022	312912JK5	\$ 21,852	TIB Independent Bankers Bank Dallas, TX
	FNMA POOL #60591	1/1/2018	31362GKC4	25,034	TIB Independent Bankers Bank Dallas, TX
	FNMA #MAO534	10/1/2030	31417YSY4	1,110,476	TIB Independent Bankers Bank Dallas, TX
	McKinley Snty N Mex Grt	6/1/2021	581615DG3	145,000	TIB Independent Bankers Bank Dallas, TX
	Santa Fe N Mex	8/1/2029	802071HB9	285,000	TIB Independent Bankers Bank Dallas, TX
	FHR3841	12/15/2040	3137A8TK4	972,863	TIB Independent Bankers Bank Dallas, TX
	FHLMC GOLD #C91399	9/1/2031	3128P7RU9	960,189	TIB Independent Bankers Bank Dallas, TX
	FNMA#MA587	12/1/2030	31417YUM7	537,563	TIB Independent Bankers Bank Dallas, TX
	Questa N Mex Indpt Sch	9/1/2017	748352CQ2	160,000	TIB Independent Bankers Bank Dallas, TX
	Los Alamos N Mex	8/1/2015	54422NCR5	250,000	TIB Independent Bankers Bank Dallas, TX
	Ruidoso N Mex Mun Sch	8/1/2020	781338HQ4	400,000	TIB Independent Bankers Bank Dallas, TX
	Sandoval County	8/1/2015	80004PDB5	415,000	TIB Independent Bankers Bank Dallas, TX
	FHLB	3/13/2015	3133XQBC5	1,095,356	TIB Independent Bankers Bank Dallas, TX
	Torrence Cntys NM Mun	7/1/2012	891400JP9	270,000	TIB Independent Bankers Bank Dallas, TX
	Nmex Fin Auth Rev BDS	6/1/2018	64711NQB4	150,000	TIB Independent Bankers Bank Dallas, TX
	Catron & Cibola Cntys NM	7/15/2012	149321BU4	195,000	TIB Independent Bankers Bank Dallas, TX
	Total Valley National Bank			<u>\$ 6,993,333</u>	
Total Pledged Collateral				<u>\$ 6,993,333</u>	

* As per NMSA 2.2.2.10 (N) (4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be par value.

See independent auditors' report

STATE OF NEW MEXICO

City of Espanola

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

Schedule III

Page 1 of 2

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Assets</i>				
<i>Judicial:</i>				
Cash	\$ (5,640)	\$ 52,383	\$ 70,648	\$ (23,905)
Accounts Receivable	-	11,846	-	11,846
Assets	<u>\$ (5,640)</u>	<u>\$ 64,229</u>	<u>\$ 70,648</u>	<u>\$ (12,059)</u>
<i>Municipal Court:</i>				
Cash	\$ (748)	\$ -	\$ -	\$ (748)
Assets	<u>\$ (748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (748)</u>
<i>Bond:</i>				
Cash	\$ 121,293	\$ 161,816	\$ 185,372	\$ 97,737
Assets	<u>\$ 121,293</u>	<u>\$ 161,816</u>	<u>\$ 185,372</u>	<u>\$ 97,737</u>
<i>Utility Deposit Trust:</i>				
Cash	\$ 203,307	\$ 20,485	\$ 7,245	\$ 216,547
Investments	43,000	-	-	43,000
Accounts Receivable	-	482	-	482
Assets	<u>\$ 246,307</u>	<u>\$ 20,967</u>	<u>\$ 7,245</u>	<u>\$ 260,029</u>
<i>Employee Activities:</i>				
Cash	\$ 2,326	\$ -	\$ 2,404	\$ (78)
Assets	<u>\$ 2,326</u>	<u>\$ -</u>	<u>\$ 2,404</u>	<u>\$ (78)</u>
<i>Emergency Fire:</i>				
Cash	\$ 225	\$ -	\$ -	\$ 225
Assets	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225</u>
<i>Families for Each Other:</i>				
Accounts Receivable	\$ 73	\$ -	\$ -	\$ 73
Assets	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>

See independent auditors' report

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i>Assets</i>				
<i>Fire Donations:</i>				
Cash	\$ 1,145	\$ -	\$ -	\$ 1,145
Assets	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,145</u>
<i>Espanola Beautification:</i>				
Cash	\$ 1,850	\$ -	\$ -	\$ 1,850
Assets	<u>\$ 1,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,850</u>
<i>Forfeiture:</i>				
Cash	\$ 967	\$ -	\$ -	\$ 967
Assets	<u>\$ 967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967</u>
Total assets	<u>\$ 367,798</u>	<u>\$ 247,012</u>	<u>\$ 265,669</u>	<u>\$ 349,141</u>
<i>Liabilities</i>				
Deposits payable	\$ -	\$ 50,375	\$ -	\$ 50,375
Accounts payable	-	2,734	-	2,734
Due to other entities	<u>367,798</u>	<u>193,903</u>	<u>265,669</u>	<u>296,032</u>
Total liabilities	<u>\$ 367,798</u>	<u>\$ 247,012</u>	<u>\$ 265,669</u>	<u>\$ 349,141</u>

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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**

Timothy Keller
New Mexico State Auditor
Alicia A. Lucero, Mayor
The City Council
City of Espanola
Espanola, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the General Fund, and the aggregate remaining funding information of the City of Espanola, New Mexico (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 7, 2015. We have also audited the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the major capital projects fund, the major debt service fund, the enterprise funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended June 30, 2012 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 responses, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2005-019 (FS 05-19), FS 2008-004 (FS 08-04), FS 2008-005 (FS 08-05), FS 2010-003 (FS 10-03), FS 2011-002 (FS 11-02), FS 2011-003 (FS 11-03), FS 2011-005 (FS 11-05), FS 2012-001, FS 2012-003, FS 2012-006, FS 2012-007, FS 2012-008, and FS 2012-010 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 accompanying schedule of findings and responses as items FS 2012-002, FS 2012-004, and FS 2012-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items FS 2000-003 (FS 00-03), FS 2003-001 (FS 03-01), FS 2008-007 (FS 08-07), FS 2011-004 (FS 11-04), FS 2012-003, FS 2012-004, FS 2012-005, FS 2012-007, FS 2012-008, and FS 2012-009.

We also noted a certain matter that is required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as finding FS 2012-011.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
October 7, 2015

STATE OF NEW MEXICO
City of Espanola
Schedule of Findings and Responses
June 30, 2012

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

FS 2000-003 (00-03) Budgetary Noncompliance (Non Compliance) (Repeated)

FS 2003-001 (FS 03-01) Late Audit Report (Non Compliance) (Repeated)

FS 2005-019 (FS 05-19) Bank Reconciliations (Material Weakness) (Repeat/Modified)

FS 05-52 Lack of Internal Controls over Expenditures (Significant Deficiency) (Resolved)

FS 08-03 Insufficient Controls over the Financial Statement Process (Material Weakness) (Resolved)

FS 2008-004 (FS 08-04) Year-end Cutoff (Material Weakness) (Repeat/Modified)

FS 2008-005 (FS 08-05) Insufficient Internal Controls over Payroll (Material Weakness) (Repeat/Modified)

FS 2008-007 (FS 08-07) Deficits in Budgeted and Actual Fund Balances (Non Compliance) (Repeated)

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

FS 2010-003 (10-03) Deficiencies in Internal Control Structure Design, Operation and Oversight (Material Weakness) (Repeat/Modified)

FS 10-04 Prior Year AJE's not Recorded in Trial Balance (Material Weakness) (Resolved)

FS 11-01 PERA and RHC Compliance (Non Compliance) (Resolved)

FS 2011-002 (FS 11-02) Internal Controls over Journal Entries (Material Weakness) (Repeat/Modified)

FS 2011-003 (FS 11-03) Insufficient Capital Asset Internal Controls (Material Weakness) (Repeat/Modified)

FS 2011-004 (FS 11-04) Late Submission of IPA Recommendation Form and Audit Contract (Non Compliance) (Repeated)

FS 2011-005 (FS 11-05) Adjustments Made to Restate Fund Balance Accounts (Material Weakness) (Repeat/Modified)

FS 11-06 Preparation of Financial Statements (Material Weakness) (Resolved)

Federal Award Findings

FA 03-01 Late Audit Report (Material Weakness) (Resolved)

FA 10-01 Suspension and Debarment (Material Weakness) (Resolved)

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

Section III – Financial Statement Findings and Responses

FS 2000-003 (FS 00-03) Budgetary Noncompliance (Non Compliance) (Repeated)

Condition: In violation of the New Mexico State statute the following funds exceeded approved budgetary authority for the year ended June 30, 2012:

	Approved Budget	Actual Expenditures	Amount Exceeded
Operation Buckle Down	\$ 2,562	\$ 2,779	\$ 217
G.R.E.A.T.	-	3,993	3,993
COPS in Schools	37,089	119,415	82,326
Library Grant	11,804	29,762	17,958
Roads and Streets	528,000	547,494	19,494
Fiesta Council	55,000	75,523	20,523
NMDOT Litter Control and Beautification	-	450	450
Capital Projects Grants	335,000	345,250	10,250
NM DOT Grant	102,721	291,733	189,012
NMFA PPR Equipment Project	65,650	394,483	328,833

Criteria: A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. NMSA 1978 Section 6-6-6. Approved budgets; claims or warrants in excess of budget; liability “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, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

Cause: The City did not adequately monitor its budget in these areas. Expenditures were approved in excess of available budget or budget adjustments were not approved and journal entries were not made to cover the expenditure approved.

Effect: The City is spending funds that were not authorized by the City Council.

Auditors’ Recommendation: We recommend that expenditures not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

Agency’s Response: The City of Espanola agrees that amounts were posted to the accounts in excess of the budget, however, these excess amounts were not billed to any reimbursable grant but reflect an accounting error that should have been corrected prior to audit. The City’s Finance Department is improving on the budget monitoring and correction of errors in a more timely manner.

FS 2003-001 (FS 03-01) Late Audit Report (Non Compliance) (Repeated)

Condition: The City did not submit 2012 financial report by the required deadline of December 01, 2012. The report was submitted by the City on October 20, 2015.

Criteria: Per 2.2.2.9A (1) NMAC, the City was required to submit its fiscal year 2011-12 annual financial report to the New Mexico State Auditor by December 01, 2012.

Effect: The City was not in compliance with the State Audit 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.

Auditors' 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's Response: The City is in the process of correcting its status regarding late audit reports. The plan is to be current with our fiscal year 2015 audit report. The fiscal year 2013 and 2014 audits will naturally be considered late when they are submitted later in calendar year 2015.

FS 2005-019 (FS 05-19) Bank Reconciliations (Material Weakness) (Repeat/Modified)

Condition: During our cash testwork we noted the following issues with the City's bank reconciliations:

- During our review of the bank reconciliations, we noted that the City does not have proper internal controls and segregation of duties over bank reconciliations.
- The City has not been reconciling their bank to their general ledger timely.
- The City had 11 accounts at year end totaling \$48,736 that were not true accounts; these accounts had to be deleted as part of the adjustments to cash to properly reconcile the City's cash at year end.
- The City did not properly reconcile pooled cash through out the year, and resulted in a \$143,062 adjustment.
- The City had to delete the prior years Housing Authority accounts that was liquidated in fiscal year 2010, that were still in the general ledger. This adjustment totaled \$(3,568,701) to properly reconcile cash.
- The City did not properly record program funds related to NMFA programs in the amount of \$332,137.
- The City did not properly record payroll errors in prior years resulting in a \$45,743 adjustment.
- The City does not have sufficient internal controls over internal balances. Also, the City did not properly record and monitor internal balances resulting in an unadjusted difference in internal balances of \$300,004 and an overall adjustment to the internal balances in the amount of \$1,061,846 to reconcile internal balances at year end. June 30, 2012.

Criteria: Section 6-6-3 NMSA, 1978 discusses the need for the City to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect: Without reconciled bank statements, the City has no assurance that all revenues and disbursements have been recorded, and can not properly identify errors or fraud.

Cause: The turnover in the accounting department transpired in the prior years which resulted in a lapse of duties and proper training. This turnover has also created a situation in which there is a backlog of work, making it difficult for current employees to catch-up.

Auditors' Recommendation: The City's Accounting Policies and Procedures manual should contain explicit instructions for all accounting related matters, as well as detailed instructions on the storage of monthly schedules used for reconciliation purposes.

Agency's Response: The City agrees that having timely bank reconciliations is imperative to capturing revenues and expenditures timely and a strong control to detect and prevent attempts of fraud. The City is now current with its bank reconciliations.

FS 2008-004 (FS 08-04) Year-end Cutoff (Material Weakness) (Repeat/Modified)

Condition: The City does not have a formal procedure in place to identify and record significant accruals existing at year end. The following accounts had to be materially adjusted due to errors in year-end cutoff procedures:

- Cash (Governmental and Business-type activities)
- Investments (Governmental and Business-type activities)
- Accounts Receivables (Governmental activities)
- Capital Assets (Governmental and Business-type activities)
- Accounts Payable (Governmental and Business-type activities)
- Internal Balances (Governmental and Business-type activities)
- Accrued Payroll (Governmental and Business-type activities)
- Deposits Held in Trust (Governmental and Business-type activities)
- Long-Term Debt (Governmental and Business-type activities)
- Deferred Revenues (Governmental activities)
- Fund Balance/ Net Assets (Governmental and Business-type activities)

Criteria: NMSA 1978 Section 3-37-3. Finance officer; duties; records open to inspection, the treasurer shall be the finance officer for the municipality unless another officer is directed by ordinance to be the finance officer. The finance officer shall:

- (1) receive all money belonging to the municipality;
- (2) keep his accounts and records in the manner prescribed by the governing body;
- (3) keep the money of the municipality separate from any other money in his possession;
- (4) expend the money only as directed by the governing body;
- (5) submit monthly, or oftener if required by the governing body, a report of the receipts and expenditures of the municipality; and
- (6) prepare annually, at the close of the fiscal year, a financial report showing the receipts, expenditures and balances for each fund. A copy of the financial report shall be filed in the office of the municipal clerk as a public document.

B. The records of the finance officer shall be open to inspection by any citizen during the regular business hours of the municipality.

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

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

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

Agency's Response: The City agrees that the Finance Department did not have a formal process in place to ensure year end activity is properly recorded in the general ledger. Currently, the Finance Department is working on formalizing a process that includes identifying the account balances that require accruals and identifying the documents/reports that will be used to develop the accrual amounts so that year end activity is captured accurately and timely

FS 2008-005 (FS 08-05) Insufficient Internal Controls over Payroll (Material Weakness) (Repeat/Modified)

Condition: During our walkthrough and review of the payroll transaction cycle, we noted the following deficiencies:

- Personnel whom are not responsible for adding or changing pay rates have access within the system to complete these roles.
- No thorough review of timesheets and matching employees to hours.
- No review of timesheets after entry into system; timesheets are manually entered.
- No review and authorization of electronic payroll disbursements.
- Payroll clerk has full access to view and edit entire accounting system.
- The City did not properly report accrued compensation at year end. This error resulting in a \$93,537 adjustment at year end June 30, 2012.
- The City has not properly accounted for accrued payroll at year end June 30, 2012. There were multiple accrued liabilities that have not been timely paid, which has resulted in 680,003 payroll liability.

Criteria: 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: Internal controls over payroll are not monitored and maintained to prevent or detect intentional misappropriation of Authority assets.

Cause: For the fiscal year 2012 management did not follow its own policies to ensure internal controls were in place and working properly.

Auditors' Recommendation: The City should follow its internal controls over payroll that are in place and perform periodic reviews of the supporting documentation to ensure that they are operating effectively.

Agency's Response: The City's management and the finance department have been working to strengthen the controls over payroll to include reviewing timesheets for proper approval by supervisors, review and modification of user access privileges and review of the data entry process.

STATE OF NEW MEXICO
City of Espanola
Schedule of Findings and Responses
June 30, 2012

FS 2008-007 (FS 08-07) Deficits in Budgeted and Actual Fund Balances (Non Compliance) (Repeated)

Condition: The following City’s funds had actual fund balance deficits at June 30, 2012.

Bullet Proof Vest Grant	\$ 16,206
Operation Buckle Down	4,924
G.R.E.A.T.	15,684
COPS in Schools	334,803
Operation DWI State Grant	259
Click It or Ticket	7,435
Wildland Grant	3,542
Law Enforcement Tech.	6,425
Days and Nights of Summer	985
DWI Program Enforcement	20,462
Public Safety Grants	13,148
Roads and Streets	16,928
NMDOT Litter Control	2,482
Plaza Development	23,926
Capital Projects Grants	520,511
NMLA Capital Improvements	208,918
NM DOT	646,350
USDA	22,419
Capital Projects Esp 8	36,657
Federal W/WW Project Grant	347,482
NMFA Trust Board	417,300
Total	<u>\$ 2,666,846</u>

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

Effect: The City had a deficit in budgeted fund balances in several funds at June 30, 2012. 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.

Auditors’ Recommendation: The City should ensure that deficit fund balances are not budgeted or reported in the City’s financial statements.

Agency’s Response: The City Finance Department agrees that deficit funds balances should be avoided. The finance department is working to research and understand how the deficit arose and make appropriate transfers to eliminate the deficits.

FS 2010-003 (10-03) Deficiencies in Internal Control Structure Design, Operation and Oversight (Material Weakness) (Repeat/Modified)

Condition: During our process of understanding the entity and its environment, we noted instances where elements of the framework of COSO were nonexistent or deficient. We also noted the following deficiencies:

- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess fraud risks.
- During our review of the overall entity wide controls, we noted that some employees have the ability to perform all duties of the finance department with no other oversight by any other individual.
- During our receipts, disbursements and payroll test work, we noted that the City does not review master files for inaccurate or unauthorized changes.
- The City does not have a proper structure in place for the finance department to ensure that duties, control, and monitoring functions are delegated to individuals at the appropriate level of the entity and that proper oversight is in place over these functions
- During audit review and testing procedures performed, we noted several instances of incorrect account coding to revenues and expenditure accounts
- The City does not have controls in place over the financial reporting process and financial statement preparation.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

Effect: Without all of the five elements of the COSO framework present, the City is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the City.

Cause: The City has not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect errors or fraud.

Auditors' Recommendations: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the City's documented internal control procedures. The City Council is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Agency's Response: The management of the City is working to improve the internal control processes throughout all of the City activities. The finance department is working to ensure proper level of authority and controls are enforced prior to processing transactions. Management is committed to assess the City's risk of fraud throughout all City activities.

FS 2011-002 (FS 11-02) Internal Controls over Journal Entries (Material Weakness) (Repeat/Modified)

Condition: During the journal entry testwork, it was noted in nine out of 10 samples for an amount of \$351,878, there was no proper approval maintained by the City to validate the entry.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

Effect: Improper adjustments could result in balances being materially misstated. Also, the risk of misappropriation acts increases without proper internal controls.

Cause: The City did not follow the established internal controls over non-standard journal entries.

Auditors' Recommendations: We recommend the City follow their policies and procedures regarding the review and approval of manual journal entries and implement a procedure to ensure non-standard journal entries are reviewed, approved, and supported.

Agency's Response: The finance department currently follows a process whereby the journal entries are fully documented and reviewed by someone that is knowledgeable of the transaction(s) being recorded. The journal entries are maintained for review and audit purposes.

FS 2011-003 (FS 11-03) Insufficient Capital Asset Internal Controls (Material Weakness) (Repeat/Modified)

Condition: During the capital asset inventory procedures, we noted the following issues:

- The City does not have processes or internal controls in place over their Governmental and Business-Type Activities capital asset listing to ensure accurate information. This includes:
 - The capital assets system was not being reconciled during the fiscal year.
 - The City did not perform the required annual inventory.
 - The City does not review for impaired assets.
 - The City did not properly allocate depreciation by function for Governmental Activities at year end June 30, 2012.

Criteria: Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. Section 12-6-10 NMSA1978 requires that the city's capital asset inventory list any item costing more than \$5,000, effective June 17, 2005. Per guidance from the State Auditor dated September 8, 2006, the older capital asset items that did not meet the new capitalization threshold were supposed to remain on the list until they are disposed of in accordance with applicable statutes. Per NMAC 6.20.2.22, capital assets shall be acquired and accounted for through the development and implementation of a complete property control system to include capital asset depreciation by function.

Effect: Without proper accounting for capital asset additions, deletions, and depreciation, the financial statements of the City may be misstated.

Cause: The City does not have a sufficient internal control system in place to properly account for capital assets. The City did not properly maintain, track, and record capital assets throughout the fiscal year.

Auditors' Recommendation: The City must conduct a physical inventory of its capital assets in accordance with state statute and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the City in the determination of obsolete equipment. Finally, a complete and updated capital assets inventory listing is necessary in order for the City to record capital assets and accumulated depreciation in accordance with GAAP. We also recommend that the capital asset listing is properly set up as to the function of each capital asset to ensure the City is able to properly classify the depreciation expense by function

Agency's Response: The finance department has made great improvements in Capital Asset monitoring and control. Currently the City undergoes an annual inventory of capital assets. The City is working on compiling a list of obsolete and impaired assets to then go through the appropriate process of disposition. The finance department will work to allocate depreciation expense by function in the statement of activities to better reflect the costs of that function.

FS 2011-004 (FS 11-04) Late Submission of IPA Recommendation Form and Audit Contract (Non Compliance) (Repeated)

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, 2014 and approved by the State Auditor's office on June 26, 2014.

Criteria: As indicated in Section 2.2.2.8(G)(6) 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(G) (6), 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.

Auditors' 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's Response: The City will submit its recommendation letter(s) as timely as it can in the future.

**FS 2011-005 (FS 11-05) Adjustments Made to Restate Fund Balance Accounts (Material Weakness)
(Repeat/Modified)**

Condition: Numerous prior year unsubstantiated journal entries related to cash, accounts receivable, account payable, internal balances, capital assets, long-term debt, and accrued liabilities were made to the fund balance accounts to correct balances as a restatement. The entries amounted to the following:

- Government-Wide-
 - Governmental Activities- \$19,804,801
 - Business-Type Activities- \$(2,787,343)

- Modified Accrual-
 - Governmental Activities- \$ 2,461,253

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

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. In the current year, these adjustments had to be corrected.

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

Auditors' Recommendation: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the City's documented internal control procedures. The City Council is charged with governance and should provide effective oversight of the internal control and financial reporting process

Agency's Response: In an effort to correct errors of the past for activity that was not recorded and to bring the account balances to their proper level, adjustments had to be made. The City management and finance department will monitor activities to ensure all transactions are fully documented and recorded in a timely manner.

FS 2012-001 — Lack of Internal Controls over Cash Receipting (Material Weakness)

Condition: During our gaining an understanding of the business-type cash receipting and our testwork of the business-type cash receipting process we noted the following instances of a lack of appropriate internal controls:

- There is no sign off to indicate that the Utility report that indicates high and low usage account outliers has been reviewed.
- There is no sign off to indicate that end of day reports match to actual cash present at the end of each day.
- There is no sign off to indicate that validated deposit slips match to the daily reports used to prepare the deposits.
- There is no sign off to indicate authorization or verification of utility adjustment made to the utilities billings

Criteria: Appropriate internal controls and segregation of duties in cash receipts, cash disbursing and payroll processing is required to properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

Effect: Without adequate internal controls in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

Cause: Management has not performed a proper evaluation and risk assessment in order to ensure proper internal controls are in place.

Auditors' Recommendations: We recommend that the City incorporate proper internal controls over receipts, disbursements, and payroll, and update internal controls related to the accounts payable clerk so there is no access to set up new vendors. Setting up employees or changing pay rates should be done by someone not entering time or printing payroll checks. These processes should be written and implemented to ensure proper internal controls are present, including segregation of duties.

Agency's Response: The Finance department will work to enhance its process to verify the deposits agree to the report of the daily activity. Currently, there is a review and approval process for the adjustments made to the utility billings. The utility report that identifies higher or lower than normal usage is reviewed by the utility supervisor and the process of performing rechecks (meter readings) manually is done on a monthly basis.

FS 2012-002 Stale Dated Transactions Not Cancelled (Significant Deficiency)

Condition: The City is in violation of state statutes regarding stale-dated checks. The City maintained five checks in the general fund that were dated over one year old at June 30, 2012. These checks totaled \$2055.46.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. The City has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Effect: Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The City did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Auditors' Recommendations: We recommend that the City implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided. Also, we recommend that the City provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

Agency's Response: The City finance department will process the stale dated checks on a more regular and consistent basis.

FS 2012-003 Non Compliance with Procurement Code (Material Weakness and Noncompliance)

Condition: During our test work regarding compliance with the NM Procurement Code, we noted that the City did not prepare an RFP, when necessary for the following expenditures:

- Kimo Constructors, Inc. with expenditures totaling \$160,339.43
- Wilson & Company, Inc. with expenditures totaling \$113,868.99
- Cutler RePaving, Inc. with expenditures totaling \$110,056.08
- BELFOR Property Restoration with expenditures totaling \$92,184.96

Criteria: Section 13-1-102 NMSA 1978 states that “All procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code:.. Section 13-1-125 NMSA 1978, small purchases...” Section 13-1-125(A), NMSA 1978 states that “A central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) in accordance with the applicable small purchase regulations...”

Effect: Not properly applying the New Mexico Statutes pertaining to contracting with a vendor, without complying with applicable State Statutes, is a violation of said statutes and could lead to potential litigation and State sanctions.

Cause: The City should have not commenced work on these projects or should have ceased work on this project once the District Court ruled that the RFP for plumbing services was voidable. In addition, The City should not have paid for these services.

Auditors' Recommendations: The City should implement policies pertaining to the application of the New Mexico Procurement Code, Regulations and City Policy pertaining to purchasing. In addition, the procurement staff should be provided with formal training related to the New Mexico Procurement Code, the applicable regulations and the City Purchasing Policy.

Agency's Response: Currently the City procurement officer maintains the RFP records such that verifying the procurement process was followed will be readily available for review. The City had experienced turnover in this position in the past and control was weak over these documents.

FS 2012-004 Insufficient Internal Controls related to Credit Cards (Significant Deficiency/ Non Compliance)

Condition: During our testwork of fuel cards, we noted the following:

- In 4 out of 10 fuel logs tested, adequate supporting documentation could not be provided.
- In 2 out of 10 fuel logs tested, the fuel log could not be found.
- In 3 out of 10 fuel logs tested, there were questionable purchases with no explanations noted.
- In 9 out of 10 fuel logs tested, there was no indication of the fuel log being reviewed.
- In 2 out of 10 fuel logs tested, the fuel log was not used properly.

Criteria: New Mexico Procurement Code 13-1-1 to 13-1-99, NMSA 1978, states that payments must be supported by valid receipts and that payment may only be made for valid charges.

Effect: The City may be paying for unallowable expenses. Inconsistent monitoring of compliance with requirements could result in abuse or fraud.

Cause: Employees are not turning in fuel receipts, logs are being used improperly and the City is paying credit card charges without obtaining the corresponding receipts for charges.

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

Agency's Response: The City has already instituted a policy whereby the fuel card receipts (and or affidavits) are to be submitted monthly to the finance department for review and verification against the monthly invoices. Currently the City is looking to revise the vehicle logs to include a calculation of miles per gallon to better track vehicle maintenance issues.

FS 2012-005 Noncompliance with Related Parties Transactions (Significant Deficiency/ Non Compliance)

Condition: During our test work of related parties, we noted that the City was not in compliance with related parties' transactions as follows:

- In 1 out of 3 instances, no quotes were obtained.
- In 1 out of 3 instances, a voucher was used instead of a P.O. for an insurance claim.

Criteria: Section 10-16-3 NMSA 1978 states that "Full disclosure of real or potential conflicts of interest shall be a guiding principle for determining appropriate conduct. At all times, reasonable efforts shall be made to avoid undue influence and abuse of office of public services".

Effect: Having ambiguous or unclear procurement and conflict of interest transactions heightens the risk of noncompliance with State Statutes and the risk of management override and abuse.

Cause: The City has not reviewed their policies to ensure procurement policies are clearly defined, understandable, and do not conflict with other policies. Also, the City has not updated their procurement and conflict of interest policies to ensure compliance and conformity with State Statutes.

Auditors' Recommendations: The City should update their policies to coincide with State Statutes and the Governmental Conduct Act, and ensure that policies are clearly defined, understandable, and complete.

Agency's Response: Management of the City will work to update policies that are ambiguous or conflicting to make them more clear and understandable for City employees and management to follow.

FS 2012-006 Landfill Post Closure Liability (Material Weakness)

Condition: The City originally obtained an engineering study for the landfill dated February 18, 2009; however there has been no monitoring of compliance requirements related to the land fill post closure and no recent study conducted to update the estimated landfill liability as of June 30, 2012.

Criteria: GASB Statement No. 18 requires the landfill liability to be evaluated and estimated annually. In addition, NMSA 20-9-9 state municipalities shall maintain a solid waste facility ground water monitoring system plan and ground water monitoring plan.

Effect: The landfill post closure liability could be understated or overstated.

Cause: The City has not performed an engineering study or considered the effect of inflation and changes in estimate in order to properly estimate their landfill liability.

Auditors' Recommendation: The City should hire a firm to conduct an engineering study related to the estimated landfill post closure liability and annually update the estimate based on costs incurred, the effect of inflation and deflation, and any other changes.

Agency's Response: The City has contracted with an engineering firm to conduct a study and provide a report on the post closure liability estimate so that our records can reflect a recent estimate of liability.

FS 2012-007 Noncompliance with Debt Agreements (Material Weakness/ Non Compliance)

Condition: During our testwork of long-term debt we noted the following internal controls and noncompliance issued:

- The City did not properly record all long-term debt; a bond and a capital lease were not included in the financial statements.
- The City did not properly record debt in the correct activity account and adjustments had to be posted to the trial balance to move debt from governmental and business-type activities.
- The City did not properly segregate cash for debt service reserve in a separate, restricted account.
- 1991 NMED Wastewater, \$3,699,670 –
Per the New Mexico Environment Department Clean Water State Revolving Loan Fund promissory note dated March 12, 2001, for the 1991 NMED Wastewater note payable the City is required to:
 - Create a Replacement Reserve Account as a separate account, to be funded solely from net revenues. The replacement reserve account serves to accumulate funds to endure the project is fully operational during the term of the note. This amount and deposit requirements shall not exceed five percent (5%) of the annual gross revenues of the system and the total amount deposited in the replacement reserve account shall not exceed five (5%) of the cost of the project. No amounts shall be expended from the replacement reserve account without the proper written approval of the lender.

Criteria: Due to management turnover, the City did not properly track the debt covenant

Effect: Noncompliance with debt covenant restrictions could result in the debt being called due, as well as future lending could be limited or not given.

Cause: The City has experienced significant turnover in finance personnel and does not have internal controls in place to ensure compliance with the bond requirements.

Auditors' Recommendation: We recommend that the City provide the proper reserve account and fund this properly in accordance with the loan agreement. Regular review of this account to ensure it meets requirements is also necessary.

Agency's Response: Currently the City finance department is working to make sure that funds are identified properly so that the reserves are separately identified and reported as required. Currently debt payments are recorded timely and in the appropriate fund.

FS 2012-008 Noncompliance with Indebtedness (Material Weakness/ Non Compliance)

Condition: During our testwork of long-term debt we noted the following noncompliance issued:

- The City was not in compliance with Statutory Debt Capacity (Debt in excess of state statutory limits).

Criteria: According to the Constitution of the State of New Mexico, Article IX, Section 13, No county, city, town or village shall ever become indebted to an amount in the aggregate, including existing indebtedness, exceeding four per centum on the value of the taxable property within such county, city, town or village, as shown by the last preceding assessment for state or county taxes; and all bonds or obligations issued in excess of such amount shall be void; provided, that any city, town or village may contract debts in excess of such limitation for the construction or purchase of a system for supplying water, or of a sewer system, for such city, town or village.

Effect: The debt that the City has assumed could be recalled and future attempts for debt to build and benefit the City could be at risk of receiving.

Cause: The City was unaware of their limits and did not perform proper calculation to ensure they had not exceeded statutory debt capacity.

Auditors' Recommendation: We recommend that the City understand and perform accurate calculation to determine that they have not exceeded debt capacity for their City.

Agency's Response: The City acquired debt in excess of its statutory debt capacity however it has not added any new bonding obligations. City management will ensure future compliance to stay within the statutory limits of debt.

STATE OF NEW MEXICO
 City of Espanola
 Schedule of Findings and Responses
 June 30, 2012

FS 2012-009 Cash Appropriations in Excess of Available Cash Balances (Non Compliance)

Condition: The City maintained a deficit budget in excess of available cash balances in the following funds:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR</u>	<u>Cash Appropriation in</u>
Click It or Ticket	\$ 1,680	\$ (5,928)	\$ 7,608
Days and Nights of Summer	3,321	2,680	641
E-911	8,226	(11,729)	19,955
Fire Protection	161,999	69,659	92,340

Criteria: Section 2.2.2.10. (P) (1), NMAC, states that the City’s cash balances rebudgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

Effect: The City will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: Inadequate monitoring of ending cash balances and budgeting are the cause of this problem.

Auditors’ Recommendations: The budget should be reviewed to insure all funds have adequate budget authority and cash balances for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Agency’s Response: The management of the City and the finance department will work to monitor and process adjustments to the budget as appropriate and necessary so that the condition above is eliminated.

FS 2012-010 Incorrect Inventory Detail (Material Weakness)

Condition: During our testwork of inventories we noted the following problems:

- The City did not provide an accurate and complete listing of inventories

Criteria: Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Lack of sufficient records could result in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. As a result, the financial statements of the City could be materially misstated because the listing of inventory is not accurate or complete.

Cause: The City does not have internal controls in place to ensure the inventory schedules are maintained and accurate during the year.

Auditors' Recommendations: We recommend for the City to implement internal controls to accurately maintain its inventory and regularly check that additions and disposals are correctly accounted for on the inventory records.

Agency's Response: City management and staff are currently working on this issue. The City's policy is to expense all supplies inventory rather than book inventory, however we realize that there may be significant materials on hand at year end that would be of significant value and should be identified for financial statement reporting purposes.

FS 2012-011 Personal Use of City Vehicles (Non Compliance)

Criteria: According to the 2012 State Audit Rule 2.2.2.10 (H), personal use of a government agency vehicle is always taxable income to the employee unless the vehicle is a qualified non-personal use vehicle provided to the employee as a “working condition fringe benefit.”

Condition: Audit procedures indicate that the City did not include personal use of City vehicles with employees’ taxable earnings the year ended June 30, 2012.

Effect: The personal use of City vehicles without reporting such use as taxable income to the employees places the City in noncompliance with the State Audit Rule and may result in related payroll tax liability to the federal government, if assessed.

Cause: There are City employees who use City vehicles for personal use, but that use has not been included in employees’ taxable earnings.

Auditors’ Recommendations: We recommend that the City implement proper internal controls to ensure all employees that take home non-exempt City vehicles are tracked and proper taxable income is added the employees W-2 to ensure they are in accordance with State Audit Rule 2.2.2.10 (H) and the Internal Revenue Service Code.

Agency’s Response: The City is now aware of the requirement and put a process in place to capture that data needed in order to properly report the fringe benefit in employees’ wage reporting at calendar year end.

STATE OF NEW MEXICO

City of Espanola
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

An exit conference was held on September 21, 2015. In attendance were the following:

Representing the City of Espanola:

Alice A. Lucero,	Mayor
Pedro Valdez	Mayor Pro Tem
Adrianna Ortiz	District 4 Councilor
Kelly Duran	City Manager
Anna Squires	City Clerk
Joyce Sandoval	Administrative Service Director

Representing New Mexico Department of Finance and Administration:

Michael Steininger

Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA	Partner
Robert Gonzales, CPA	Manager

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Espanola from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.