



State of New Mexico

CITY OF ESPAÑOLA

Annual Financial Report

June 30, 2013



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INTRODUCTORY SECTION

STATE OF NEW MEXICO

City of Espanola

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City of Espanola

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STATE OF NEW MEXICO

City of Espanola

Official Roster

June 30, 2013

| <u>Name</u> | <u>City Council</u> | <u>Title</u> |
|---------------------------|---------------------|---------------------------------|
| Alice A. Lucero | | Mayor |
| Dennis Tim Salazar | | Mayor Pro Tem |
| Pedro Valdez | | District 1 Councilor |
| Elaine L. Herrera | | District 2 Councilor |
| Peggy Sue Martinez | | District 2 Councilor |
| Vacant | | District 3 Councilor |
| Eric Radosevich | | District 3 Councilor |
| Cory Lewis | | District 4 Councilor |
| Robert Seeds | | District 4 Councilor |
| <u>Administration</u> | | |
| Joe Duran | | Interim City Manager |
| Tessa Jo Mascarenas | | City Clerk |
| Joyce Sandoval | | Administrative Service Director |

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The City Council
City of Espanola
Espanola, New Mexico

Report on Financial Statements

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 comparisons for the general fund and major special revenue fund of the City of Espanola (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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, and the budgetary comparisons for the proprietary funds, the major capital projects funds, the major debt service fund and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 of Espanola, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of each nonmajor governmental fund as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the proprietary funds, major capital projects funds, major debt service fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles, generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 this missing information.

Other Information

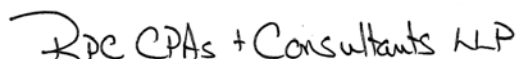
Our audit was conducted for the purpose of forming opinions on the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section and Schedules I through III required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules I through III required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedules I through III required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, 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* in considering the City's internal control over financial reporting and compliance.



RPC CPAs + CONSULTANTS, LLP
Albuquerque, NM
February 29, 2016

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Espanola

Statement of Net Position

June 30, 2013

| | Primary Government | | |
|----------------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Current assets | | | |
| Cash, investments and cash equivalents | \$ 8,404,904 | \$ 55,667 | \$ 8,460,571 |
| Other investments | 170,000 | 58,929 | 228,929 |
| Receivables: | | | |
| Property taxes | 460,268 | - | 460,268 |
| Other receivables | 1,894,967 | 38,367 | 1,933,334 |
| Customer receivables, net | - | 1,358,907 | 1,358,907 |
| Internal balances | 641,560 | (641,560) | - |
| Total current assets | <u>11,571,699</u> | <u>870,310</u> | <u>12,442,009</u> |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 1,838,649 | 526,656 | 2,365,305 |
| Capital assets | 33,870,801 | 16,301,398 | 50,172,199 |
| Less: accumulated depreciation | <u>(17,935,494)</u> | <u>(5,398,860)</u> | <u>(23,334,354)</u> |
| Total noncurrent assets | <u>17,773,956</u> | <u>11,429,194</u> | <u>29,203,150</u> |
| Total assets | <u>\$ 29,345,655</u> | <u>\$ 12,299,504</u> | <u>\$ 41,645,159</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 | \$ 465,823 | \$ 64,421 | \$ 530,244 |
| Accrued payroll | 540,159 | 22,575 | 562,734 |
| Due to state | 6,425 | - | 6,425 |
| Accrued compensated absences | 370,737 | 64,522 | 435,259 |
| Accrued interest payable | 107,720 | 79,132 | 186,852 |
| Bonds payable | 12,200 | 16,699 | 28,899 |
| Loans and notes payable | 768,288 | 599,046 | 1,367,334 |
| Total current liabilities | <u>2,271,352</u> | <u>846,395</u> | <u>3,117,747</u> |
| Noncurrent liabilities | | | |
| Accrued compensated absences | 270,414 | 14,225 | 284,639 |
| Accrued landfill closure costs | - | 601,220 | 601,220 |
| Bonds payable | 56,200 | 737,501 | 793,701 |
| Loans and notes payable | 9,375,050 | 6,236,748 | 15,611,798 |
| Total noncurrent liabilities | <u>9,701,664</u> | <u>7,589,694</u> | <u>17,291,358</u> |
| Total liabilities | <u>11,973,016</u> | <u>8,436,089</u> | <u>20,409,105</u> |
| Net position | | | |
| Net investment in capital assets | 5,723,569 | 3,312,544 | 9,036,113 |
| Restricted for: | | | |
| Debt service | 2,291,682 | 526,656 | 2,818,338 |
| Capital projects | 2,635,886 | - | 2,635,886 |
| Special revenue | 1,945,064 | - | 1,945,064 |
| Unrestricted | 4,776,438 | 24,215 | 4,800,653 |
| Total net position | <u>17,372,639</u> | <u>3,863,415</u> | <u>21,236,054</u> |
| Total liabilities and net position | <u>\$ 29,345,655</u> | <u>\$ 12,299,504</u> | <u>\$ 41,645,159</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, 2013

| <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 | \$ 4,703,623 | \$ 424,079 | \$ 45,518 | \$ 257,218 |
| Public safety | 5,488,093 | - | 587,531 | 80,000 |
| Public works | 4,515,184 | - | 346,518 | 1,941,206 |
| Culture and recreation | 1,044,755 | 12,136 | 144,839 | - |
| Interest on long-term debt | 401,666 | - | - | - |
| <i>Total governmental activities</i> | <u>16,153,321</u> | <u>436,215</u> | <u>1,124,406</u> | <u>2,278,424</u> |
| Business-type Activities: | | | | |
| Water and wastewater | 4,832,469 | 5,382,564 | - | - |
| Solid waste | 745,383 | 642,776 | - | - |
| <i>Total business-type activities</i> | <u>5,577,852</u> | <u>6,025,340</u> | <u>-</u> | <u>-</u> |
| <i>Total primary government</i> | <u>\$ 21,731,173</u> | <u>\$ 6,461,555</u> | <u>\$ 1,124,406</u> | <u>\$ 2,278,424</u> |

General Revenues and Transfers:

Taxes:
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Franchise taxes
Lodger's taxes
Investment income
Rental income
Gain on the sale of land
Miscellaneous income
Transfers
Transfers of capital assets

Total general revenues and transfers

Change in net position

Net position - beginning

Net position- reclassification (Note 20)

Net position- beginning reclassified

Net position- ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (3,976,808) | \$ - | \$ (3,976,808) |
| (4,820,562) | - | (4,820,562) |
| (2,227,460) | - | (2,227,460) |
| (887,780) | - | (887,780) |
| (401,666) | - | (401,666) |
| <u>(12,314,276)</u> | <u>-</u> | <u>(12,314,276)</u> |
| - | 550,095 | 550,095 |
| - | (102,607) | (102,607) |
| - | 447,488 | 447,488 |
| <u>(12,314,276)</u> | <u>447,488</u> | <u>(11,866,788)</u> |
| 813,802 | - | 813,802 |
| 9,868,211 | 176,559 | 10,044,770 |
| 486,461 | - | 486,461 |
| 241,004 | - | 241,004 |
| 70,997 | - | 70,997 |
| 38,974 | 1,156 | 40,130 |
| 68,797 | - | 68,797 |
| 590,000 | - | 590,000 |
| 38,133 | - | 38,133 |
| 889,109 | (889,109) | - |
| 540,490 | (540,490) | - |
| <u>13,645,978</u> | <u>(1,251,884)</u> | <u>12,394,094</u> |
| <u>1,331,702</u> | <u>(804,396)</u> | <u>527,306</u> |
| 13,724,587 | 6,984,161 | 20,708,748 |
| <u>2,316,350</u> | <u>(2,316,350)</u> | <u>-</u> |
| <u>16,040,937</u> | <u>4,667,811</u> | <u>20,708,748</u> |
| <u>\$ 17,372,639</u> | <u>\$ 3,863,415</u> | <u>\$ 21,236,054</u> |

STATE OF NEW MEXICO

City of Espanola
Balance Sheet
Governmental Funds
June 30, 2013

| | <u>General Fund</u> | <u>Municipal Service Improvements</u> | <u>Infrastructure Projects</u> |
|--------------------------------------------|---------------------|-----------------------------------------------|------------------------------------|
| <i>Assets</i> | | | |
| Cash, investments, and cash equivalents | \$ 3,804,490 | \$ 1,300,996 | \$ 1,649,224 |
| Other investments | 170,000 | - | - |
| Receivables: | | | |
| Property taxes | 460,268 | - | - |
| Other receivables | 1,218,214 | 111,920 | 171,274 |
| Due from other funds | 874,145 | - | - |
| <i>Total assets</i> | <u>\$ 6,527,117</u> | <u>\$ 1,412,916</u> | <u>\$ 1,820,498</u> |
| <i>Liabilities</i> | | | |
| Accounts payable | \$ 440,966 | \$ 11,620 | \$ 6,309 |
| Accrued payroll | 524,560 | | - |
| Due to state | - | | - |
| Deferred revenue | 445,535 | | - |
| Due to other funds | - | | - |
| <i>Total liabilities</i> | <u>1,411,061</u> | <u>11,620</u> | <u>6,309</u> |
| <i>Fund balances</i> | | | |
| Spendable | | | |
| Restricted for: | | | |
| Municipal service improvements | - | 1,401,296 | - |
| Recreation | - | - | - |
| Fire departments | - | - | - |
| Tourism | - | - | - |
| Public safety | - | - | - |
| Capital projects expenditures | - | - | 1,814,189 |
| Debt service expenditures | - | - | - |
| Committed for: | | | |
| Minimum fund balance | 827,925 | - | - |
| Unassigned | 4,288,131 | - | - |
| <i>Total fund balances</i> | <u>5,116,056</u> | <u>1,401,296</u> | <u>1,814,189</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 6,527,117</u> | <u>\$ 1,412,916</u> | <u>\$ 1,820,498</u> |

The accompanying notes are an integral part of these financial statements

| NMFA Trust Board | 2002 Bond Debt Service | Other Governmental Funds | Total |
|------------------|------------------------|--------------------------|----------------------|
| \$ - | \$ 1,747,987 | \$ 1,740,856 | \$ 10,243,553 |
| - | - | - | 170,000 |
| - | - | - | 460,268 |
| - | - | 393,559 | 1,894,967 |
| - | - | - | 874,145 |
| | <u>\$ 1,747,987</u> | <u>\$ 2,134,415</u> | <u>\$ 13,642,933</u> |
| \$ - | \$ - | \$ 6,928 | \$ 465,823 |
| - | - | 15,599 | 540,159 |
| - | - | 6,425 | 6,425 |
| - | - | - | 445,535 |
| - | - | 232,585 | 232,585 |
| - | - | <u>261,537</u> | <u>1,690,527</u> |
| - | - | - | 1,401,296 |
| - | - | 12,622 | 12,622 |
| - | - | 132,291 | 132,291 |
| - | - | 103,469 | 103,469 |
| - | - | 295,386 | 295,386 |
| - | - | 821,697 | 2,635,886 |
| - | 1,747,987 | 543,695 | 2,291,682 |
| - | - | - | 827,925 |
| - | - | (36,282) | 4,251,849 |
| - | <u>1,747,987</u> | <u>1,872,878</u> | <u>11,952,406</u> |
| <u>\$ -</u> | <u>\$ 1,747,987</u> | <u>\$ 2,134,415</u> | <u>\$ 13,642,933</u> |

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STATE OF NEW MEXICO

City of Espanola

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

Exhibit B-1

Page 2 of 2

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

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|
| Fund balances - total governmental funds | \$ | 11,952,406 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 15,935,307 |
| 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 | | 445,535 |
| Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: | | |
| Accrued interest | | (107,720) |
| 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: | | |
| Current and noncurrent portions of accrued compensated absences | | (641,151) |
| Current and noncurrent portions of bonds payable | | (68,400) |
| Current and noncurrent portions of loans and notes payable | | (10,143,338) |
| | | (10,852,889) |
| Total net position of governmental activities | \$ | 17,372,639 |

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, 2013

| | <u>General Fund</u> | <u>Municipal Service Improvements</u> | <u>Infrastructure Projects</u> |
|----------------------------------------------------------|---------------------|-----------------------------------------------|------------------------------------|
| <i>Revenues</i> | | | |
| Taxes | | | |
| Property | \$ 547,818 | \$ - | \$ - |
| Gross receipts | 7,624,410 | - | 1,092,557 |
| Gasoline and motor vehicle taxes | 105,129 | - | - |
| Other | 241,004 | - | - |
| Intergovernmental income | | | |
| Federal operating grants | - | - | - |
| Federal capital grants | - | - | - |
| State operating grants | - | 698,217 | - |
| State capital grants | - | - | - |
| Charges for services | 420,349 | - | - |
| Investment income | 31,177 | - | - |
| Rental income | 65,866 | - | - |
| Miscellaneous | 23,146 | - | - |
| <i>Total revenues</i> | <u>9,058,899</u> | <u>698,217</u> | <u>1,092,557</u> |
| <i>Expenditures</i> | | | |
| Current | | | |
| General government | 2,973,889 | - | - |
| Public safety | 3,733,984 | - | - |
| Public works | 844,581 | 205,424 | 1,141,819 |
| Culture and recreation | 837,056 | - | - |
| Capital outlay | 42,220 | 120,057 | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| <i>Total expenditures</i> | <u>8,431,730</u> | <u>325,481</u> | <u>1,141,819</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>627,169</u> | <u>372,736</u> | <u>(49,262)</u> |
| <i>Other financing sources (uses)</i> | | | |
| Proceeds from the sale of land | - | - | - |
| Transfers in | 790,926 | - | - |
| Transfers out | (834,850) | - | (793,457) |
| <i>Total other financing sources (uses)</i> | <u>(43,924)</u> | <u>-</u> | <u>(793,457)</u> |
| <i>Net change in fund balances</i> | <u>583,245</u> | <u>372,736</u> | <u>(842,719)</u> |
| <i>Fund balance - beginning of year</i> | 3,494,571 | 1,028,560 | 2,656,908 |
| <i>Fund balances - reclassifications (Note 20)</i> | <u>1,038,240</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances - beginning-as reclassified</i> | <u>4,532,811</u> | <u>1,028,560</u> | <u>2,656,908</u> |
| <i>Fund balance - end of year</i> | <u>\$ 5,116,056</u> | <u>\$ 1,401,296</u> | <u>\$ 1,814,189</u> |

The accompanying notes are an integral part of these financial statements

| NMFA Trust Board | 2002 Bond Debt Service | Other Governmental Funds | Total |
|---------------------|---------------------------|--------------------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 547,818 |
| - | - | 1,151,244 | 9,868,211 |
| - | - | 381,332 | 486,461 |
| - | - | 70,997 | 312,001 |
| - | - | 45,166 | 45,166 |
| - | - | 91,500 | 91,500 |
| - | - | 381,023 | 1,079,240 |
| 1,849,706 | - | 337,218 | 2,186,924 |
| - | - | 15,866 | 436,215 |
| - | 2,885 | 4,912 | 38,974 |
| - | - | 2,931 | 68,797 |
| - | - | 14,987 | 38,133 |
| <u>1,849,706</u> | <u>2,885</u> | <u>2,497,176</u> | <u>15,199,440</u> |
| - | - | 27,053 | 3,000,942 |
| - | - | 1,193,859 | 4,927,843 |
| 1,728,784 | - | 594,576 | 4,515,184 |
| - | - | 142,900 | 979,956 |
| - | - | 95,743 | 258,020 |
| - | 380,000 | 381,884 | 761,884 |
| - | 279,598 | 128,638 | 408,236 |
| <u>1,728,784</u> | <u>659,598</u> | <u>2,564,653</u> | <u>14,852,065</u> |
| <u>120,922</u> | <u>(656,713)</u> | <u>(67,477)</u> | <u>347,375</u> |
| - | - | 590,000 | 590,000 |
| - | 659,597 | 1,157,565 | 2,608,088 |
| - | - | (90,672) | (1,718,979) |
| - | 659,597 | 1,656,893 | 1,479,109 |
| <u>120,922</u> | <u>2,884</u> | <u>1,589,416</u> | <u>1,826,484</u> |
| (417,300) | 1,745,103 | (698,270) | 7,809,572 |
| <u>296,378</u> | <u>-</u> | <u>981,732</u> | <u>2,316,350</u> |
| <u>(120,922)</u> | <u>1,745,103</u> | <u>283,462</u> | <u>10,125,922</u> |
| <u>\$ -</u> | <u>\$ 1,747,987</u> | <u>\$ 1,872,878</u> | <u>\$ 11,952,406</u> |

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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, 2013

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 | \$ 1,826,484 |
|--------------------------------------------------------|--------------|

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 | 258,020 |
| Depreciation expense | (1,690,699) |
| Transfer of capital assets | 540,490 |
| Impairment loss on construction project | (435,202) |

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

| | |
|----------------------------------------------------------------------|---------|
| Increase in unavailable revenue related to property taxes receivable | 265,984 |
|----------------------------------------------------------------------|---------|

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 position

| | |
|-------------------------------------------------------|----------------|
| Decrease in accrued interest | 6,570 |
| Increase in accrued compensated absences | (201,829) |
| Principal payments on bonds, notes, and loans payable | <u>761,884</u> |

| | |
|---------------------------------------------------|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 1,331,702</u></u> |
|---------------------------------------------------|----------------------------|

The accompanying notes are an integral part of these financial statements

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, 2013

| | Budgeted Amounts | | Actual (Non- GAAP Basis) | Variances |
|---------------------------------------------------------------------------------------------|------------------|------------------|--------------------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ 542,009 | \$ 542,009 | \$ 557,077 | \$ 15,068 |
| Gross receipts | 7,537,218 | 7,227,371 | 7,557,261 | 329,890 |
| Gas and motor vehicle | 90,000 | 90,000 | 99,419 | 9,419 |
| Other | 302,671 | 302,671 | 295,967 | (6,704) |
| Intergovernmental income | | | | |
| State operating grants | - | - | - | - |
| Charges for services | 24,000 | 24,000 | 22,072 | (1,928) |
| Licenses and fees | 535,669 | 535,669 | 393,270 | (142,399) |
| Investment income | 45,000 | 45,000 | 28,096 | (16,904) |
| Rental income | 57,801 | 57,801 | 67,866 | 10,065 |
| Miscellaneous | 17,000 | 17,000 | 20,924 | 3,924 |
| <i>Total revenues</i> | <u>9,151,368</u> | <u>8,841,521</u> | <u>9,041,952</u> | <u>200,431</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 3,279,527 | 3,272,333 | 2,370,459 | 901,874 |
| Public safety | 4,260,260 | 4,260,260 | 4,279,639 | (19,379) |
| Public works | 960,908 | 960,908 | 826,869 | 134,039 |
| Culture and recreation | 886,916 | 886,916 | 818,963 | 67,953 |
| Capital outlay | 117,616 | 117,616 | 67,699 | 49,917 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>9,505,227</u> | <u>9,498,033</u> | <u>8,363,629</u> | <u>1,134,404</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(353,859)</u> | <u>(656,512)</u> | <u>678,323</u> | <u>1,334,835</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 302,653 | - | (302,653) |
| Transfers in | 790,926 | 790,926 | 790,926 | - |
| Transfers out | (437,067) | (437,067) | (834,850) | (397,783) |
| <i>Total other financing sources (uses)</i> | <u>353,859</u> | <u>656,512</u> | <u>(43,924)</u> | <u>(700,436)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>634,399</u> | <u>634,399</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>3,175,996</u> | <u>3,175,996</u> |
| <i>Fund balance- reclassifications (note 20)</i> | <u>-</u> | <u>-</u> | <u>1,038,240</u> | <u>1,038,240</u> |
| <i>Fund balance- reclassified</i> | <u>-</u> | <u>-</u> | <u>4,214,236</u> | <u>4,214,236</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,848,635</u> | <u>\$ 4,848,635</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 634,399 |
| Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income | | | | 16,947 |
| Adjustments to expenditures for salaries, professional services, and claims | | | | (68,101) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 583,245</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

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, 2013

| | 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 | 682,224 | 682,224 | 711,263 | 29,039 |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>682,224</u> | <u>682,224</u> | <u>711,263</u> | <u>29,039</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 510,987 | 585,241 | 312,466 | 272,775 |
| Culture and recreation | - | - | - | - |
| Capital outlay | 171,237 | 171,237 | 73,015 | 98,222 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>682,224</u> | <u>756,478</u> | <u>385,481</u> | <u>370,997</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | (74,254) | 325,782 | 400,036 |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 74,254 | - | (74,254) |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | <u>74,254</u> | - | <u>(74,254)</u> |
| <i>Net change in fund balance</i> | - | - | <u>325,782</u> | <u>325,782</u> |
| <i>Fund balance - beginning of year</i> | - | - | 975,214 | 975,214 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | <u>975,214</u> | <u>975,214</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,300,996</u> | <u>\$ 1,300,996</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 325,782 |
| Adjustments to revenues state grants | | | | (13,046) |
| Adjustments to expenditures for professional services | | | | 60,000 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 372,736</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 Position
Proprietary Funds
June 30, 2013

| | Enterprise Funds | | | Total |
|------------------------------------------------|-------------------------|-----------------------------|-------------------|----------------------|
| | Water and Wastewater | Utility Asset Management | Solid Waste | |
| <i>Assets</i> | | | | |
| <i>Current assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ - | \$ - | \$ 55,667 | \$ 55,667 |
| Other investments | 58,929 | - | - | 58,929 |
| Other receivables | 9,789 | - | 28,578 | 38,367 |
| Customer receivables, net | 1,092,517 | - | 266,390 | 1,358,907 |
| <i>Total current assets</i> | <u>1,161,235</u> | <u>-</u> | <u>350,635</u> | <u>1,511,870</u> |
| <i>Noncurrent assets</i> | | | | |
| Restricted cash and cash equivalents | 526,656 | - | - | 526,656 |
| Capital assets | 16,301,398 | - | - | 16,301,398 |
| Less: accumulated depreciation | (5,398,860) | - | - | (5,398,860) |
| <i>Total noncurrent assets</i> | <u>11,429,194</u> | <u>-</u> | <u>-</u> | <u>11,429,194</u> |
| <i>Total assets</i> | <u>\$ 12,590,429</u> | <u>\$ -</u> | <u>\$ 350,635</u> | <u>\$ 12,941,064</u> |
| <i>Liabilities and net position</i> | | | | |
| <i>Liabilities</i> | | | | |
| <i>Current liabilities</i> | | | | |
| Accounts payable | \$ 64,421 | \$ - | \$ - | \$ 64,421 |
| Accrued payroll | 22,575 | - | - | 22,575 |
| Accrued compensated absences | 64,522 | - | - | 64,522 |
| Interfund payable | 641,560 | - | - | 641,560 |
| Accrued interest payable | 79,132 | - | - | 79,132 |
| Current portion of bonds payable | 16,699 | - | - | 16,699 |
| Current portion of loans and contracts payable | 599,046 | - | - | 599,046 |
| <i>Total current liabilities</i> | <u>1,487,955</u> | <u>-</u> | <u>-</u> | <u>1,487,955</u> |
| <i>Noncurrent liabilities</i> | | | | |
| Accrued compensated absences | 14,225 | - | - | 14,225 |
| Accrued landfill closure costs | - | - | 601,220 | 601,220 |
| Bonds payable | 737,501 | - | - | 737,501 |
| Loans payable | 6,236,748 | - | - | 6,236,748 |
| <i>Total noncurrent liabilities</i> | <u>6,988,474</u> | <u>-</u> | <u>601,220</u> | <u>7,589,694</u> |
| <i>Total liabilities</i> | <u>8,476,429</u> | <u>-</u> | <u>601,220</u> | <u>9,077,649</u> |
| <i>Net position</i> | | | | |
| Net investment in capital assets | 3,312,544 | - | - | 3,312,544 |
| Restricted for: | | | | |
| Debt service | 526,656 | - | - | 526,656 |
| Unrestricted | 274,800 | - | (250,585) | 24,215 |
| <i>Total net position</i> | <u>4,114,000</u> | <u>-</u> | <u>(250,585)</u> | <u>3,863,415</u> |
| <i>Total liabilities and net position</i> | <u>\$ 12,590,429</u> | <u>\$ -</u> | <u>\$ 350,635</u> | <u>\$ 12,941,064</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 Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit D-2

| | Enterprise Funds | | | Total |
|--------------------------------------------------------------------------------|-------------------------|-----------------------------|--------------|--------------|
| | Water and Wastewater | Utility Asset Management | Solid Waste | |
| <i>Operating revenues</i> | | | | |
| Charges for services net of allowances of \$31,949 and \$7,935 respectively | \$ 5,382,564 | \$ - | \$ 642,776 | \$ 6,025,340 |
| <i>Total operating revenues</i> | 5,382,564 | - | 642,776 | 6,025,340 |
| <i>Operating expenses</i> | | | | |
| Payroll and benefits | 1,276,266 | - | - | 1,276,266 |
| Contractual services | 2,037,180 | - | 626,632 | 2,663,812 |
| Supplies and services | 447,709 | - | 118,751 | 566,460 |
| Repairs and maintenance | 243,219 | - | - | 243,219 |
| Utilities | 462,735 | - | - | 462,735 |
| Depreciation | 193,347 | - | - | 193,347 |
| <i>Total operating expenses</i> | 4,660,456 | - | 745,383 | 5,405,839 |
| <i>Operating income (loss)</i> | 722,108 | - | (102,607) | 619,501 |
| <i>Non-operating revenues (expenses)</i> | | | | |
| Gross receipts taxes | - | - | 176,559 | 176,559 |
| Interest expense | (172,013) | - | - | (172,013) |
| Investment income | 1,156 | - | - | 1,156 |
| <i>Total non-operating revenues (expenses)</i> | (170,857) | - | 176,559 | 5,702 |
| <i>Income before contributions and transfers</i> | 551,251 | - | 73,952 | 625,203 |
| Transfer of capital assets | (540,490) | - | - | (540,490) |
| Transfers in | 533,395 | - | - | 533,395 |
| Transfers out | (1,361,204) | - | (61,300) | (1,422,504) |
| <i>Change in net position</i> | (817,048) | - | 12,652 | (804,396) |
| <i>Net position- beginning of year</i> | 6,003,835 | (49,069) | 1,029,395 | 6,984,161 |
| <i>Net position- reclassifications (Note20)</i> | (1,072,787) | 49,069 | (1,292,632) | (2,316,350) |
| <i>Net position- beginning of year -reclassified</i> | 4,931,048 | - | (263,237) | 4,667,811 |
| <i>Net position- end of year</i> | \$ 4,114,000 | \$ - | \$ (250,585) | \$ 3,863,415 |

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, 2013

Exhibit D-3
Page 1 of 2

| | Enterprise Funds | | | Total |
|--------------------------------------------------------------------|-------------------------|-----------------------------|------------------|--------------------|
| | Water and Wastewater | Utility Asset Management | Solid Waste | |
| <i>Cash flows from operating activities</i> | | | | |
| Cash received from user charges | \$ 5,338,038 | \$ - | \$ 634,820 | \$ 5,972,858 |
| Cash payments to employees for services | (1,262,755) | - | - | (1,262,755) |
| Cash payments to suppliers for goods and services | (3,217,507) | - | (775,215) | (3,992,722) |
| <i>Net cash provided (used) by operating activities</i> | <u>857,776</u> | <u>-</u> | <u>(140,395)</u> | <u>717,381</u> |
| <i>Cash flows from noncapital financing activities</i> | | | | |
| Gross receipts taxes | - | - | 179,811 | 179,811 |
| Interfund transfers (net) | (827,809) | - | (61,300) | (889,109) |
| Interfund loans received | 641,560 | - | - | 641,560 |
| <i>Net cash (used) provided by noncapital financing activities</i> | <u>(186,249)</u> | <u>-</u> | <u>118,511</u> | <u>(67,738)</u> |
| <i>Cash flows from capital and related financing activities</i> | | | | |
| Acquisition of capital assets | (409,621) | - | - | (409,621) |
| Interest paid | (177,067) | - | - | (177,067) |
| Principal payments on bonds and loans | (604,617) | - | - | (604,617) |
| <i>Net cash (used) by capital and related financing activities</i> | <u>(1,191,305)</u> | <u>-</u> | <u>-</u> | <u>(1,191,305)</u> |
| <i>Cash flows from investing activities</i> | | | | |
| Investment income | 1,156 | - | - | 1,156 |
| <i>Net cash provided by investing activities</i> | <u>1,156</u> | <u>-</u> | <u>-</u> | <u>1,156</u> |
| <i>Net (decrease) in cash and cash equivalents</i> | (518,622) | - | (21,884) | (540,506) |
| <i>Cash and cash equivalents - beginning of year</i> | 502,721 | - | 77,551 | 580,272 |
| <i>Cash and cash equivalents - reclassification (Note 20)</i> | 542,557 | - | - | 542,557 |
| <i>Cash and cash equivalents - beginning, reclassified</i> | 1,045,278 | - | 77,551 | 1,122,829 |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 526,656</u> | <u>\$ -</u> | <u>\$ 55,667</u> | <u>\$ 582,323</u> |
| <i>Per Exhibit D-1</i> | | | | |
| Cash, investments, and cash equivalents | \$ - | \$ - | \$ 55,667 | \$ 55,667 |
| Restricted cash and cash equivalents | 526,656 | - | - | 526,656 |
| Total | <u>\$ 526,656</u> | <u>\$ -</u> | <u>\$ 55,667</u> | <u>\$ 582,323</u> |

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, 2013

| | Enterprise Funds | | | |
|-------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|---------------------|-------------------|
| | Water and Wastewater | Utility Asset Management | Solid Waste | Total |
| <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i> | | | | |
| Operating income (loss) | \$ 722,108 | \$ - | \$ (102,607) | \$ 619,501 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 193,347 | - | - | 193,347 |
| Noncash reduction in accrued landfill liability | - | - | (25,918) | (25,918) |
| Changes in assets and liabilities | | | | |
| Receivables | (44,526) | - | (7,956) | (52,482) |
| Accounts payable | (26,664) | - | (3,914) | (30,578) |
| Accrued payroll | 3,310 | - | - | 3,310 |
| Compensated absences | 10,201 | - | - | 10,201 |
| <i>Net cash provided (used) by operating activities</i> | <u>\$ 857,776</u> | <u>\$ -</u> | <u>\$ (140,395)</u> | <u>\$ 717,381</u> |

Supplemental noncash disclosure: Transfers of capital assets from the Water and Wastewater fund to governmental activities reduced capital assets by \$540,490.

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STATE OF NEW MEXICO
City of Espanola
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2013

Exhibit E-1

| | |
|------------------------|------------------------------|
| <i>Assets</i> | |
| Cash | \$ 326,363 |
| Investments | 43,000 |
| Accounts receivable | <u>482</u> |
| Total assets | <u><u>\$ 369,845</u></u> |
| <i>Liabilities</i> | |
| Deposits payable | \$ 57,357 |
| Accounts payable | 5,324 |
| Due to other entities | <u>307,164</u> |
| Total liabilities | <u><u>\$ 369,845</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, 2013

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.

During the year ended June 30, 2013, the City adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The City does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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, 2013

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

In the government-wide Statement of Net Position, 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 position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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. 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. Amounts received from reimbursement basis grants are recorded as revenue in the governmental fund financial statements once an allowable cost has been incurred in accordance with GASB codification section N50 paragraph .117 (c) and GASBS 33 paragraph 20c footnote 10.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

The Municipal Service Improvements special revenue fund that is used to account for municipal gross receipts pursuant to section 7-9-3.5 NMSA 1978, dedicated from improvements to the municipal streets, buildings, police department and recreational facilities.

The Infrastructure Projects capital projects fund accounts for City infrastructure capital projects.

The NMFA Trust Board capital projects fund is used to account from an NMFA equipment grant.

The 2002 Bond Debt Service fund 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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 Position

Deposits and Investments: The City's cash and cash equivalents for purposes of the statement of cash flows 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. The City maintains a pooled cash and investment fund that includes cash, cash equivalents, and certificates of deposits with original maturities in excess of three months. Each individual fund reports its share of the pooled cash and investments. The amount is reported as Cash, investments and cash equivalents in the statement of net position and the governmental funds balance sheet. The City also maintains investment accounts that are separate from the pooled cash and investments. These separate investments accounts are certificate of deposits with original maturities in excess of three months from the date of acquisition and are reported as other investments in the statement of net position and the governmental funds balance sheet.

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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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.

Restricted Assets: Restricted assets consist of those funds that are not 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, and to meet reserve requirements specified by the loan and bond documents including loans with the New Mexico Finance Authority.

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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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: 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. The portion of property taxes receivables that are uncollected as of 60 days from year-end are considered to be unavailable and are reported as deferred revenue in the governmental funds balance sheet. The uncollected portion of property taxes receivables as of June 30, 2013 totaled \$445,535

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 position.

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 position. 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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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, 2013, the City did not have any fund balances in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2013, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$6,872,632 for various general government operations and debt service as restricted by enabling legislation. The City has committed fund balance of the general fund for minimum fund balances in the amount of \$827,925. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 20-21.

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 final budgeted expenditures and transfers out. The amount at June 30, 2013 for the City is \$827,925.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Amounts 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 Position: Consist of net position 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 position restricted for "special revenue, debt service, and capital projects" are described on pages 39 and 64-65.
- c. Unrestricted Net Position: All other net position amounts that do not meet the definition of "restricted" or "net investment in capital assets."

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

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, estimated closure costs for the City's landfill and the useful lives of depreciable assets used to calculate depreciation expense.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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.

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.

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 Position- 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, 2013.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

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, 2013, \$6,917,731 of the City’s bank balance of \$7,417,731 was subject to custodial credit risk. \$6,917,731 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, 2013.

| | Valley National Bank |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Amount of deposits | \$ 7,417,731 |
| FDIC Coverage | (500,000) |
| Total uninsured public funds | 6,917,731 |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name | |
| | 6,917,731 |
| Uninsured and uncollateralized | \$ - |
| Collateral requirement (50% of uninsured funds) | |
| | \$ 3,458,866 |
| Pledged Collateral | 7,387,947 |
| Over (Under) collateralized | \$ 3,929,081 |

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, 2013

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

| | |
|----------------------------------------------------------------------------|----------------------------|
| Cash, investments, and cash equivalents per Exhibit A-1 | \$ 8,460,571 |
| Investments per Exhibit A-1 | 228,929 |
| Restricted cash and cash equivalents per Exhibit A-1 | 2,365,305 |
| Agency funds cash and investments per Exhibit E-1 | 369,363 |
| Plus outstanding checks | 384,184 |
| Less deposits in transit and adjustments | (256,640) |
| Less U.S. Treasury Money Market Mutual Funds held with LGIP | (1,768,206) |
| Less U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque | (526,656) |
| Less U.S. Treasury Money Market Mutual Funds held with NMFA | (1,838,649) |
| Less petty cash | <u>(470)</u> |
| Bank balance of deposits | <u><u>\$ 7,417,731</u></u> |

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, 2013, the City's investment in the New Mexico LGIP was rated as AAAm by Standard & Poor's. Due to the short-term maturity term of these investments, amounts invested in LGIP are classified as a cash equivalent in the statement of net position; however, they are considered an investment for disclosure purposes.

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. Due to the short-term maturity term of these investments, amounts held at the Bank of Albuquerque are classified as restricted cash in the statement of net position; however, they are considered an investment for disclosure purposes.

The New Mexico Finance Authority (NMFA) holds and invests cash related to debt service and reserve requirements on behalf of the City and in the City's name pursuant to loan agreements with the City. NMFA invest the amounts in U.S Treasuries Money Market Mutual Funds. As the City does not acquire the securities or assets for purpose of obtaining income or profit, the asset does not meet the definition of an investment as defined by GASBS 31 and therefore the assets are classified as restricted cash in the statement of net position.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

The City's investment in certificates of deposits (CD) are classified as investments in the statement of net position due to the original maturity term exceeding 3 months. They are also considered a deposit under GASB 40 and thus the amounts also appear in the deposit disclosure above. The City has one CD included in its pooled cash and investment fund totaling \$2,500,000 at June 30, 2013. Each fund reports its share of the pooled cash and investments at June 30, 2013; therefore, the CD amount is included in cash, investment, and cash equivalents total reported in the statement of net position. Separate CD accounts not included in the pooled cash and investment fund total \$228,929 at June 30, 2013 and are reported as other investments in the statement of net position. The City's agency funds also report \$43,000 in investments which are certificates of deposits with original maturity dates in excess of three months. The City's investments at June 30, 2013 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 |
| Certificate of deposit included in pooled cash and investment fund | Unrated | 365 days | 2,500,000 |
| Certificates of deposit | Unrated | 365 days | 228,929 |
| Certificates of deposit -Agency funds | Unrated | 365 days | 43,000 |
| U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque | Aaa ** | <90 Days | 526,656 |
| U.S. Treasury Money Market Mutual Funds held with NMFA | Aaa ** | <90 Days | 1,838,649 |
| | | | <u>\$ 6,905,440</u> |

** Based on Moody's rating

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 26% and 34%, respectively, of the investment portfolio, when CD's considered investments are included; and 43% and 57%, 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, 2013

NOTE 4. Receivables

Receivables as of June 30, 2013, are as follows:

| | General | Municipal Service Improvements | Infrastructure Projects | Other Governmental Funds | Total |
|----------------------------|---------------------------|--------------------------------------|----------------------------|--------------------------------|----------------------------|
| Property taxes receivable | \$ 460,268 | \$ - | \$ - | \$ - | \$ 460,268 |
| Other receivable: | | | | | |
| Gross receipts | 1,189,216 | - | 171,274 | 164,463 | 1,524,953 |
| Gasoline and motor vehicle | - | - | - | 52,419 | 52,419 |
| Franchise taxes | 28,998 | - | - | - | 28,998 |
| Lodger's taxes | - | - | - | 40,607 | 40,607 |
| Intergovernmental: | | | | | |
| Federal grants | - | - | - | 110,149 | 110,149 |
| State grants | - | 111,920 | - | 25,921 | 137,841 |
| Total receivables | <u>\$1,678,482</u> | <u>\$ 111,920</u> | <u>\$ 171,274</u> | <u>\$ 393,559</u> | <u>\$ 2,355,235</u> |

Receivables for governmental activities are considered to be 100% collectible. 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, 2013 was \$445,535.

| Business-type Activities: | Water and Sewer | Solid Waste | Total |
|---------------------------------------|---------------------|-------------------|---------------------|
| Customer receivables | \$ 1,713,813 | \$ 417,794 | \$ 2,131,607 |
| Other receivables: | | | |
| Gross receipts taxes | - | 28,578 | 28,578 |
| Nonsufficient funds | 9,789 | - | 9,789 |
| Total gross receivables | <u>1,723,602</u> | <u>446,372</u> | <u>2,169,974</u> |
| Less: allowance for doubtful accounts | <u>(621,296)</u> | <u>(151,404)</u> | <u>(772,700)</u> |
| Total net receivables | <u>\$ 1,102,306</u> | <u>\$ 294,968</u> | <u>\$ 1,397,274</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, 2013

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 out</u> | <u>Transfers in</u> | <u>Amount</u> |
|----------------------------|---------------------------------|---------------------|
| General Fund | RUS Loan Debt Service | \$ 289,030 |
| General Fund | NMFA WWW Debt Fund | 40,455 |
| General Fund | Capital projects grants | 505,365 |
| Water and Wastewater | General Fund | 411,400 |
| Water and Wastewater | General Fund | 303,692 |
| Water and Wastewater | RUS Loan Debt Service | 218,446 |
| Water and Wastewater | RUS Loan Debt Service | 152,121 |
| Water and Wastewater | NMFA WWW Debt Fund | 14,133 |
| Water and Wastewater | NMFA PPR Equipment Project Loan | 130,416 |
| Water and Wastewater | NMFA PPR Equipment Project Loan | 130,996 |
| Lodger's Tax | General Fund | 5,200 |
| Lodger's Tax | Lodger's Prom | 21,000 |
| Lodger's Tax | Plaza Development | 12,687 |
| Lodger's Tax | Water and Wastewater | 13,300 |
| Infrastructure Projects | Asset Management | 156,537 |
| Infrastructure Projects | Water and Wastewater | 41,940 |
| Infrastructure Projects | Water and Wastewater | 89,163 |
| Infrastructure Projects | Water and Wastewater | 375,401 |
| Infrastructure Projects | NMFA PPR Equipment Project Loan | 130,416 |
| NMFA WWW Debt Fund | Water and Wastewater | 13,591 |
| Solidwaste | General Fund | 61,300 |
| E911 Fund | General Fund | 9,334 |
| Law Enforcement Protection | USDA Loan / Police Department | 15,560 |
| | Total | <u>\$ 3,141,483</u> |

In addition, the water and waste fund transferred capital assets to governmental activities as follows:

| <u>Transfers out</u> | <u>Transfers in</u> | <u>Amount</u> |
|----------------------|-------------------------|-------------------|
| Water and Wastewater | Governmental Activities | <u>\$ 540,490</u> |

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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, 2013 is as follows:

| | Due to | Due from |
|-----------------------------------------|---------------|-----------------|
| General Fund | \$ 874,145 | \$ - |
| Operation Buckle Down | - | 3,715 |
| Byre Justice Assistance Grant | - | 366 |
| Library Grant | - | 6,908 |
| Days & Nights of Summer | - | 931 |
| Public Safety Grants | - | 30,855 |
| Roads and Streets | - | 54,832 |
| Lodgers' Tax | - | 12,209 |
| NMDOT Litter Control and Beautification | - | 9,456 |
| NMDOT Grant | - | 18,947 |
| Federal W/WW Project Grant | - | 91,500 |
| NMFA PPR Equipment Project Loan | - | 2,779 |
| USDA Loan / Police Department | - | 87 |
| Water and Waste Water | - | 641,560 |
| | \$ 874,145 | \$ 874,145 |

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, 2013

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land, Historical Works of Art, and construction in progress are not subject to depreciation.

| | Balance June 30, 2012 | Additions | Deletions | Transfers | Balance June 30, 2013 |
|---------------------------------------------------|--------------------------|-----------------------|-------------------|-------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 4,211,071 | \$ - | \$ - | \$ 22,400 | \$ 4,233,471 |
| Historical Works of Art | 27,700 | - | - | - | 27,700 |
| Construction in progress | 435,202 | - | 435,202 | - | - |
| Total capital assets not being depreciated | 4,673,973 | - | 435,202 | 22,400 | 4,261,171 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 19,395,710 | - | - | 518,090 | 19,913,800 |
| Infrastructure | 4,767,442 | - | - | - | 4,767,442 |
| Vehicles, furniture and equipment | 4,796,713 | 258,020 | 126,345 | - | 4,928,388 |
| Total capital assets being depreciated | 28,959,865 | 258,020 | 126,345 | 518,090 | 29,609,630 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 9,289,463 | 1,026,731 | - | - | 10,316,194 |
| Infrastructure | 3,815,720 | 139,504 | - | - | 3,955,224 |
| Vehicles, furniture and equipment | 3,265,957 | 524,464 | 126,345 | - | 3,664,076 |
| Total accumulated depreciation | 16,371,140 | 1,690,699 | 126,345 | - | 17,935,494 |
| Total capital assets, net of depreciation | \$ 17,262,698 | \$ (1,432,679) | \$ 435,202 | \$ 540,490 | \$ 15,935,307 |

Depreciation expense for the year ended June 30, 2013 was \$1,690,699 was allocated to general government. Deletions to construction progress totaling \$435,202 were the result of project impairment that occurred in fiscal year 2013. The amount of the loss was charged to general government in the statement of activities for the year ended June 30, 2013.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

| | Balance June 30, 2012 | Additions | Deletions | Transfers | Balance June 30, 2013 |
|--------------------------------------------|--------------------------|-------------------|-------------|---------------------|--------------------------|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 22,400 | \$ - | \$ - | \$ (22,400) | \$ - |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>22,400</u> | <u>-</u> | <u>-</u> | <u>(22,400)</u> | <u>-</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 10,163,256 | 213,603 | - | (518,090) | 9,858,769 |
| Infrastructure | 754,445 | 196,018 | - | - | 950,463 |
| Vehicles, furniture and equipment | 5,492,166 | - | - | - | 5,492,166 |
| Total capital assets being depreciated | <u>16,409,867</u> | <u>409,621</u> | <u>-</u> | <u>(518,090)</u> | <u>16,301,398</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 2,687,814 | 100,811 | - | - | 2,788,625 |
| Infrastructure | 662,079 | 28,588 | - | - | 690,667 |
| Vehicles, furniture and equipment | 1,855,620 | 63,948 | - | - | 1,919,568 |
| Total accumulated depreciation | <u>5,205,513</u> | <u>193,347</u> | <u>-</u> | <u>-</u> | <u>5,398,860</u> |
| Total capital assets, net of depreciation | <u>\$ 11,226,754</u> | <u>\$ 216,274</u> | <u>\$ -</u> | <u>\$ (540,490)</u> | <u>\$ 10,902,538</u> |

Depreciation expense totaling \$193,347 was charged to water and wastewater fund for fiscal year ending June 30, 2013.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

| | Balance June 30, 2012 | Additions | Retirements | Balance June 30, 2013 | Due Within One Year |
|-----------------------------|--------------------------|-------------------|---------------------|--------------------------|------------------------|
| NMFA Loans | \$ 10,579,906 | \$ - | \$ 702,542 | \$ 9,877,364 | \$ 719,265 |
| Law Enforcement Bonds | 81,100 | - | 12,200 | 68,900 | 12,700 |
| Capital Lease | 312,616 | - | 47,142 | 265,474 | 49,023 |
| Compensated Absences | 439,322 | 572,566 | 370,737 | 641,151 | 370,737 |
| Total Long-Term Debt | \$ 11,412,944 | \$ 572,566 | \$ 1,132,621 | \$ 10,852,889 | \$ 1,151,725 |

Revenue Bonds

At June 30, 2013, 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 Description | 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, 2013, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|------------------|-----------------|-----------------------|
| 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 |
| | \$ 68,900 | \$ 9,200 | \$ 78,100 |

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt (continued)

NMFA Loans

The City entered into four 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:

| <u>Description</u> | <u>Date of Issue</u> | <u>Due Date</u> | <u>Interest Rate</u> | <u>Original Amount of Issue</u> |
|-------------------------------|----------------------|-----------------|----------------------|---------------------------------|
| 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, 2013, including interest payments, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|------------------------------------|---------------------|---------------------|---------------------------|
| 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 | 722,542 | 259,489 | 982,031 |
| 2019-2023 | 4,055,000 | 896,404 | 4,951,404 |
| 2024-2027 | 2,081,097 | 146,316 | 2,227,413 |
| | <u>\$ 9,877,364</u> | <u>\$ 2,586,010</u> | <u>\$ 12,463,374</u> |

Capital Lease Payable

The City entered into a capital lease in prior years in the amount of \$407,950 at an interest rate of 3.99% and will mature on November 1, 2017. The total amount of future principal payments and interest is as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|------------------------------------|-------------------|------------------|---------------------------|
| 2014 | \$ 49,023 | \$ 10,593 | \$ 59,616 |
| 2015 | 50,979 | 8,637 | 59,616 |
| 2016 | 53,014 | 6,602 | 59,616 |
| 2017 | 55,129 | 4,487 | 59,616 |
| 2018 | 57,329 | 2,287 | 59,616 |
| | <u>\$ 265,474</u> | <u>\$ 32,606</u> | <u>\$ 298,080</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, 2013, compensated absences increased by \$201,829 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, 2013

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, 2013:

| | Balance June 30, 2012 | Additions | Retirements | Balance June 30, 2013 | Due Within One Year |
|-----------------------------|--------------------------|------------------|-------------------|--------------------------|------------------------|
| NMFA Loans | \$ 662,339 | \$ - | \$ 99,077 | \$ 563,262 | \$ 99,715 |
| RUS Loans | 770,200 | | 16,000 | 754,200 | 16,699 |
| NMED Loans | 6,762,072 | - | 489,540 | 6,272,532 | 499,331 |
| Landfill Closure Liability | 627,138 | - | 25,918 | 601,220 | - |
| Compensated Absences | 68,547 | 74,722 | 64,522 | 78,747 | 64,522 |
| Total Long-Term Debt | \$ 8,890,296 | \$ 74,722 | \$ 695,057 | \$ 8,269,961 | \$ 680,267 |

Revenue Bonds

At June 30, 2013, 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, 2013, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|-------------------|-------------------|-----------------------|
| 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 | 20,370 | 34,665 | 55,035 |
| 2019-2023 | 118,518 | 156,657 | 275,175 |
| 2024-2028 | 151,948 | 123,227 | 275,175 |
| 2029-2033 | 194,806 | 80,369 | 275,175 |
| 2034-2037 | 196,483 | 23,657 | 220,140 |
| | \$ 754,200 | \$ 566,640 | \$ 1,320,840 |

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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, 2013, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|---------------------|-------------------|-----------------------|
| 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 | 553,682 | 84,691 | 638,373 |
| 2019-2023 | 1,637,658 | 307,305 | 1,944,963 |
| 2024-2028 | 1,802,028 | 142,938 | 1,944,966 |
| 2029 | 381,599 | 7,393 | 388,992 |
| | <u>\$ 6,835,794</u> | <u>\$ 991,662</u> | <u>\$ 7,827,456</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, 2013, compensated absences increased by \$10,200 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, 2013, 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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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 funds had a deficit fund balance as of June 30, 2013:

Governmental funds

| | |
|-----------------------------------------|-----------------------------|
| Operation Buckle Down | \$ 3,718 |
| COPS in Schools | 457 |
| Operation DWI State Grant | 366 |
| Library Grant | 6,908 |
| Law Enforcement Tech. | 6,425 |
| Days and Nights of Summer | 968 |
| DWI Program Enforcement | 3 |
| Public Safety Grants | 12,455 |
| Roads and Streets | 2,413 |
| NMDOT Litter Control and Beautification | 2,482 |
| USDA Loan / Police Department | <u>87</u> |
| Total | <u><u>\$ 36,282</u></u> |

Enterprise fund

| | |
|-------------|--------------------------|
| Solid waste | <u><u>\$ 250,585</u></u> |
|-------------|--------------------------|

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, 2013:

| | Approved Budget | Actual Expenditures | Amount Exceeded |
|-------------------------|--------------------|------------------------|--------------------|
| Recreation | \$ - | \$ 651 | \$ 651 |
| Operation Buckle Down | 3,416 | 5,116 | 1,700 |
| COPS in Schools Grant | 35,360 | 57,146 | 21,786 |
| DWI Program Enforcement | - | 91 | 91 |
| Roads and Streets | 298,000 | 378,440 | 80,440 |
| Plaza Development | 60,000 | 69,583 | 9,583 |
| Capital Projects Grants | - | 41,971 | 41,971 |
| Infrastructure Projects | 52,694 | 1,135,510 | 1,082,816 |
| Water and Waste Water | 3,807,831 | 4,660,456 | 852,625 |
| Solid waste fund | 729,000 | 745,383 | 16,383 |

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 9. Other Required Individual Fund Disclosures (continued)

Designated cash appropriations in excess of available balances. There were no funds that had designated cash appropriations in excess of available balances for fiscal year ending June 30, 2013.

NOTE 10. Pension Plan – Public Employee Retirement Association (PERA)

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, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 13.5% for regular employees, 16.3% for law enforcement employees and 16.2% fire protection employees. The City is required to contribute the following percentages of the gross covered salary: 9.15% for regular employees, 18.5% law enforcement and 21.25% for fire protection plan members; 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 ended June 30, 2013, 2012, and 2011 were \$556,418, \$627,656 and \$656,342, respectively, which equal the amount of the required contributions for each fiscal year.

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.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

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

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$99,039 \$95,580 and \$93,269 respectively which equal the required contributions for each year.

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, 2013.

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 landfill was closed as of June 1, 2003. The estimated liability for landfill closure and post closure care costs is \$601,220 as of June 30, 2013. 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. Financial assurance requirements are limited to sampling and cover maintenance during the post-closure period that are paid by user charges. The City is responsible for these costs through 2033.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 15. Construction and Other Significant Commitments

The City has ongoing infrastructure maintenance related contracts that were not completed at June 30, 2013. It was not possible to specifically identify the contracts and amounts committed for the projects as of June 30, 2013.

NOTE 16. Subsequent Events

In August of 2014, the City settled a judgement claim with the Internal Revenue Service in the amount of \$275,817 as a result of a payroll audit.

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is February 29, 2016, 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.

NOTE 18. Restricted Position

The government-wide statement of net position reports \$7,399,288 of restricted net position for governmental activities, all of which is restricted by enabling legislation. See pages 39 and 64-65 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 19. Subsequent Pronouncements

In March 2012, GASB 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, GASB 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 during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement 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, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 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 will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 19. Subsequent Pronouncements (continued)

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

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 Reclassifications

In fiscal year 2013 management reclassified fund balance amounts to eliminate internal balances between funds that were not expected to be settled within a reasonable time frame in accordance with GASB codification 1800 paragraph.102(a)(1) and to eliminate balance outstanding on funds that were closed during fiscal year 2013. The following reclassification adjustments were made:

| Fund balance transfer out (in) | Fund balance transfer in (out) | Amount |
|---------------------------------------|---------------------------------------|---------------------|
| General Fund | | |
| NMFA Trust Board | General Fund | \$ (151,264) |
| Nonmajor funds | General Fund | (1,669,403) |
| Water and Waste Water | General Fund | 1,615,344 |
| Solid Waste | General Fund | 1,292,632 |
| Utility Asset Management | General Fund | (49,069) |
| | Total | \$ 1,038,240 |
| Major Capital Projects Fund | | |
| General Fund | NMFA Trust Board | \$ 151,264 |
| NMFA PPR Equipment Project Loan | NMFA Trust Board | 145,114 |
| | Total | \$ 296,378 |

STATE OF NEW MEXICO
City of Espanola
Notes to the Financial Statements
June 30, 2013

NOTE 20. Fund Balance Reclassifications (continued)

| <u>Fund balance transfer out (in)</u> | <u>Fund balance transfer in (out)</u> | <u>Amount</u> |
|---------------------------------------|---------------------------------------|-----------------------|
| Nonmajor Governmental Funds | | |
| General Fund | Bullet Proof Vest Grant | \$ 16,206 |
| General Fund | G.R.E.A.T. Grant | 15,684 |
| General Fund | NMLA Capital Improvements Grant | 208,918 |
| General Fund | USDA Grants | 22,419 |
| General Fund | Capital Projects Esp. 8 | 36,657 |
| General Fund | Operation Buckle Down | 5,563 |
| General Fund | Cops in Schools | 391,100 |
| General Fund | Click it or Ticket Grant | 7,092 |
| General Fund | DWI Program Enforcement | 20,553 |
| General Fund | Plaza Fund | 77,891 |
| General Fund | NM DOT | 479,425 |
| General Fund | W/WW Federal Project Grants | 379,072 |
| General Fund | State Agency on Aging Grants | 8,823 |
| NMFA Trust Board | NMFA PPR Equipment Project Loan | (145,114) |
| NMED CWSRF Debt Service | Water and Waste Water | <u>(542,557)</u> |
| | Total | <u>\$ 981,732</u> |
| Proprietary funds | | |
| General Fund | Water and Waste Water | \$ (1,615,344) |
| General Fund | Solid Waste | (1,292,632) |
| Water and Waste Water | NMED CWSRF Debt Service | 542,557 |
| General Fund | Utility Asset Management | <u>49,069</u> |
| | Total | <u>\$ (2,316,350)</u> |

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2013

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.

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.

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.

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.

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.

STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2013

Special Revenue Funds (continued)

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.

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.

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

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.

Debt Service Funds

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

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

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

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STATE OF NEW MEXICO
City of Espanola
Nonmajor Governmental Fund Descriptions
June 30, 2013

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, 2013

| | Special Revenue | | | |
|--------------------------------------------|-----------------|------------|----------------------------|--------------------------|
| | Recreation | Teen Court | Bullet Proof Vest Grant | Operation Buckle Down |
| <i>Assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ 484 | \$ 20,050 | \$ - | \$ - |
| Other receivables | - | - | - | - |
| <i>Total assets</i> | \$ 484 | \$ 20,050 | \$ - | \$ - |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | 3 |
| Due to state | - | - | - | - |
| Due to other funds | - | - | - | 3,715 |
| <i>Total liabilities</i> | - | - | - | 3,718 |
| <i>Fund balances</i> | | | | |
| Spendable | | | | |
| Restricted for: | | | | |
| Recreation | 484 | - | - | - |
| Fire departments | - | - | - | - |
| Tourism | - | - | - | - |
| Public safety | - | 20,050 | - | - |
| Capital projects expenditures | - | - | - | - |
| Debt service expenditures | - | - | - | - |
| Unassigned | - | - | - | (3,718) |
| <i>Total fund balances</i> | 484 | 20,050 | - | (3,718) |
| <i>Total liabilities and fund balances</i> | \$ 484 | \$ 20,050 | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | | |
|---------------------|--------------------------|-----------------------------------|------------------------------|----------------|
| 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>\$ 6,761</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 457 | - | - | - |
| - | - | - | - | - |
| - | - | - | 366 | 6,908 |
| <u>-</u> | <u>457</u> | <u>-</u> | <u>366</u> | <u>6,908</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 6,761 | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | (457) | - | (366) | (6,908) |
| <u>-</u> | <u>(457)</u> | <u>6,761</u> | <u>(366)</u> | <u>(6,908)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,761</u> | <u>\$ -</u> | <u>\$ -</u> |

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Special Revenue | | | |
|--------------------------------------------|--------------------|------------------|------------------|----------------------------------|
| | Click It or Ticket | EMS | Wildland Grant | Law Enforcement Technology |
| <i>Assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ - | \$ 16,309 | \$ 26,142 | \$ - |
| Other receivables | - | - | - | - |
| <i>Total assets</i> | <u>\$ -</u> | <u>\$ 16,309</u> | <u>\$ 26,142</u> | <u>\$ -</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Due to state | - | - | - | 6,425 |
| Due to other funds | - | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,425</u> |
| <i>Fund balances</i> | | | | |
| Spendable | | | | |
| Restricted for: | | | | |
| Recreation | - | - | - | - |
| Fire departments | - | - | - | - |
| Tourism | - | - | 26,142 | - |
| Public safety | - | 16,309 | - | - |
| Capital projects expenditures | - | - | - | - |
| Debt service expenditures | - | - | - | - |
| Unassigned | - | - | - | (6,425) |
| <i>Total fund balances</i> | <u>-</u> | <u>16,309</u> | <u>26,142</u> | <u>(6,425)</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ -</u> | <u>\$ 16,309</u> | <u>\$ 26,142</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | | |
|------------------------------|----------------------------|-------------------------|-------------------|-------------------|
| Days and Nights of Summer | DWI Program Enforcement | Public Safety Grants | E-911 Grant | Fire Protection |
| \$ - | \$ - | \$ - | \$ 45,448 | \$ 139,219 |
| - | - | 18,649 | 164,463 | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,649</u> | <u>\$ 209,911</u> | <u>\$ 139,219</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 6,928 |
| 37 | 3 | 249 | 14,850 | - |
| - | - | - | - | - |
| 931 | - | 30,855 | - | - |
| <u>968</u> | <u>3</u> | <u>31,104</u> | <u>14,850</u> | <u>6,928</u> |
| - | - | - | - | - |
| - | - | - | - | 132,291 |
| - | - | - | 195,061 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| (968) | (3) | (12,455) | - | - |
| <u>(968)</u> | <u>(3)</u> | <u>(12,455)</u> | <u>195,061</u> | <u>132,291</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,649</u> | <u>\$ 209,911</u> | <u>\$ 139,219</u> |

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Special Revenue | | | |
|--------------------------------------------|----------------------|----------------------------------|-----------------------|------------------|
| | Roads and Streets | Law Enforcement Protection | Fire Discretionary | Lodgers' Tax |
| <i>Assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ - | \$ 43,747 | \$ 13,458 | \$ - |
| Other receivables | 52,419 | - | - | 40,607 |
| <i>Total assets</i> | <u>\$ 52,419</u> | <u>\$ 43,747</u> | <u>\$ 13,458</u> | <u>\$ 40,607</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Due to state | - | - | - | - |
| Due to other funds | 54,832 | - | - | 12,209 |
| <i>Total liabilities</i> | <u>54,832</u> | <u>-</u> | <u>-</u> | <u>12,209</u> |
| <i>Fund balances</i> | | | | |
| Spendable | | | | |
| Restricted for: | | | | |
| Recreation | - | - | - | - |
| Fire departments | - | - | - | - |
| Tourism | - | - | - | 28,398 |
| Public safety | - | 43,747 | 13,458 | - |
| Capital projects expenditures | - | - | - | - |
| Debt service expenditures | - | - | - | - |
| Unassigned | (2,413) | - | - | - |
| <i>Total fund balances</i> | <u>(2,413)</u> | <u>43,747</u> | <u>13,458</u> | <u>28,398</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 52,419</u> | <u>\$ 43,747</u> | <u>\$ 13,458</u> | <u>\$ 40,607</u> |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | Capital Projects | |
|--------------------------|------------------|----------------------------|-----------------------------------------|-------------------|
| Lodgers' Tax Promotional | Fiesta Council | U.S. Bureau of Reclamation | NMDOT Litter Control and Beautification | Plaza Development |
| \$ 48,929 | \$ 12,138 | \$ 38,857 | \$ - | \$ - |
| - | - | - | 6,974 | - |
| <u>\$ 48,929</u> | <u>\$ 12,138</u> | <u>\$ 38,857</u> | <u>\$ 6,974</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 9,456 | - |
| - | - | - | 9,456 | - |
| - | 12,138 | - | - | - |
| - | - | - | - | - |
| 48,929 | - | - | - | - |
| - | - | - | - | - |
| - | - | 38,857 | - | - |
| - | - | - | - | - |
| - | - | - | (2,482) | - |
| <u>48,929</u> | <u>12,138</u> | <u>38,857</u> | <u>(2,482)</u> | <u>-</u> |
| <u>\$ 48,929</u> | <u>\$ 12,138</u> | <u>\$ 38,857</u> | <u>\$ 6,974</u> | <u>\$ -</u> |

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Capital Projects | | | |
|--------------------------------------------|----------------------------|---------------------------------------|------------------|-------------|
| | Capital Projects Grants | NMLA Capital Improvements Grant | NM DOT Grant | USDA Grants |
| <i>Assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ 548,029 | \$ - | \$ - | \$ - |
| Other receivables | - | - | 18,947 | - |
| <i>Total assets</i> | <u>\$ 548,029</u> | <u>\$ -</u> | <u>\$ 18,947</u> | <u>\$ -</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Due to state | - | - | - | - |
| Due to other funds | - | - | 18,947 | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>18,947</u> | <u>-</u> |
| <i>Fund balances</i> | | | | |
| <i>Spendable</i> | | | | |
| <i>Restricted for:</i> | | | | |
| Recreation | - | - | - | - |
| Fire departments | - | - | - | - |
| Tourism | - | - | - | - |
| Public safety | - | - | - | - |
| Capital projects expenditures | 548,029 | - | - | - |
| Debt service expenditures | - | - | - | - |
| Unassigned | - | - | - | - |
| <i>Total fund balances</i> | <u>548,029</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 548,029</u> | <u>\$ -</u> | <u>\$ 18,947</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

Capital Projects

| Capital Projects Esp 8 | Federal W/WW Project Grant | State Water Project Grants | State Agency on Aging Grants | GRT Asset Replacement |
|---------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------|
| \$ - | \$ - | \$ 29,205 | \$ - | \$ 205,606 |
| - | 91,500 | - | - | - |
| <u>\$ -</u> | <u>\$ 91,500</u> | <u>\$ 29,205</u> | <u>\$ -</u> | <u>\$ 205,606</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 91,500 | - | - | - |
| <u>-</u> | <u>91,500</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 29,205 | - | 205,606 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>29,205</u> | <u>-</u> | <u>205,606</u> |
| <u>\$ -</u> | <u>\$ 91,500</u> | <u>\$ 29,205</u> | <u>\$ -</u> | <u>\$ 205,606</u> |

STATE OF NEW MEXICO
City of Espanola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Debt Service | | | |
|--------------------------------------------|----------------------|----------------------------|-----------------------|---------------------------------------|
| | NMFA Debt Service | NMED CWSRF Debt Service | Trust Service Fund | NMFA PPR Equipment Project Loan |
| <i>Assets</i> | | | | |
| Cash, investments, and cash equivalents | \$ 92,164 | \$ - | \$ 3 | \$ 454,307 |
| Other receivables | - | - | - | - |
| <i>Total assets</i> | <u>\$ 92,164</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 454,307</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Due to state | - | - | - | - |
| Due to other funds | - | - | - | 2,779 |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,779</u> |
| <i>Fund balances</i> | | | | |
| Spendable | | | | |
| Restricted for: | | | | |
| Recreation | - | - | - | - |
| Fire departments | - | - | - | - |
| Tourism | - | - | - | - |
| Public safety | - | - | - | - |
| Capital projects expenditures | - | - | - | - |
| Debt service expenditures | 92,164 | - | 3 | 451,528 |
| Unassigned | - | - | - | - |
| <i>Total fund balances</i> | <u>92,164</u> | <u>-</u> | <u>3</u> | <u>451,528</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 92,164</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 454,307</u> |

The accompanying notes are an integral part of these financial statements

| <u>Debt Service</u> | |
|----------------------------------------------|--------------------------------------------------|
| <u>USDA Loan / Police Department</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ - | \$ 1,740,856 |
| - | 393,559 |
| <u>\$ -</u> | <u>\$ 2,134,415</u> |
| | |
| \$ - | \$ 6,928 |
| - | 15,599 |
| - | 6,425 |
| <u>87</u> | <u>232,585</u> |
| | |
| <u>87</u> | <u>261,537</u> |
| | |
| - | 12,622 |
| - | 132,291 |
| - | 103,469 |
| - | 295,386 |
| - | 821,697 |
| - | 543,695 |
| <u>(87)</u> | <u>(36,282)</u> |
| <u>(87)</u> | <u>1,872,878</u> |
| | |
| <u>\$ -</u> | <u>\$ 2,134,415</u> |

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, 2013

| | Special Revenue | | | |
|----------------------------------------------------------|-----------------|------------------|----------------------------|--------------------------|
| | Recreation | Teen Court | Bullet Proof Vest Grant | Operation Buckle Down |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Gross receipts | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle taxes | - | - | - | - |
| Other | - | - | - | - |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | 3,400 | - | 762 |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Rental income | - | - | - | - |
| Miscellaneous | 551 | - | - | - |
| <i>Total revenues</i> | <u>551</u> | <u>3,400</u> | <u>-</u> | <u>762</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 5,444 | - | 5,119 |
| Public works | - | - | - | - |
| Culture and recreation | 651 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>651</u> | <u>5,444</u> | <u>-</u> | <u>5,119</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(100)</u> | <u>(2,044)</u> | <u>-</u> | <u>(4,357)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of land | - | - | - | - |
| 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>(100)</u> | <u>(2,044)</u> | <u>-</u> | <u>(4,357)</u> |
| <i>Fund balances - beginning of year</i> | 584 | 22,094 | (16,206) | (4,924) |
| <i>Fund balances - reclassification</i> | - | - | 16,206 | 5,563 |
| <i>Fund balances -beginning of year- as reclassified</i> | <u>584</u> | <u>22,094</u> | <u>-</u> | <u>639</u> |
| <i>Fund balances - end of year</i> | <u>\$ 484</u> | <u>\$ 20,050</u> | <u>\$ -</u> | <u>\$ (3,718)</u> |

The accompanying notes are an integral part of these financial statements

Special Revenue

| G.R.E.A.T. Grant | COPS in Schools Grant | Byrne Justice Assistance Grant | Operation DWI State Grant | Library Grant |
|---------------------|--------------------------|-----------------------------------|------------------------------|---------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 3,336 | 20,049 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 3,336 | 20,049 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 56,754 | - | 3,443 | - |
| - | - | - | - | - |
| - | - | - | - | 26,957 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 56,754 | - | 3,443 | 26,957 |
| - | (56,754) | - | (107) | (6,908) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | (56,754) | - | (107) | (6,908) |
| (15,684) | (334,803) | 6,761 | (259) | - |
| 15,684 | 391,100 | - | - | - |
| - | 56,297 | 6,761 | (259) | - |
| \$ - | \$ (457) | \$ 6,761 | \$ (366) | \$ (6,908) |

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, 2013

| | Special Revenue | | | |
|----------------------------------------------------------|--------------------|------------------|------------------|----------------------------|
| | Click It or Ticket | EMS | Wildland Grant | Law Enforcement Technology |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Gross receipts | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle taxes | - | - | - | - |
| Other | - | - | - | - |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | 1,607 | 12,055 | 42,118 | - |
| State capital grants | - | 80,000 | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Rental income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>1,607</u> | <u>92,055</u> | <u>42,118</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 1,264 | 4,193 | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | 1,842 | - |
| Capital outlay | - | 80,000 | 10,592 | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>1,264</u> | <u>84,193</u> | <u>12,434</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>343</u> | <u>7,862</u> | <u>29,684</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of land | - | - | - | - |
| 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>343</u> | <u>7,862</u> | <u>29,684</u> | <u>-</u> |
| <i>Fund balances - beginning of year</i> | (7,435) | 8,447 | (3,542) | (6,425) |
| <i>Fund balances - reclassification</i> | <u>7,092</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances -beginning of year- as reclassified</i> | <u>(343)</u> | <u>8,447</u> | <u>(3,542)</u> | <u>(6,425)</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ 16,309</u> | <u>\$ 26,142</u> | <u>\$ (6,425)</u> |

The accompanying notes are an integral part of these financial statements

Special Revenue

| <u>Days and Nights of Summer</u> | <u>DWI Program Enforcement</u> | <u>Public Safety Grants</u> | <u>E-911 Grant</u> | <u>Fire Protection</u> |
|--------------------------------------|------------------------------------|---------------------------------|--------------------|------------------------|
| \$ - | \$ - | \$ - | \$ 1,151,244 | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 45,166 | - | - |
| - | - | - | - | - |
| 1,046 | - | - | - | 257,676 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 1,127 | 356 |
| - | - | - | - | - |
| - | - | - | 6,517 | - |
| <u>1,046</u> | <u>-</u> | <u>45,166</u> | <u>1,158,888</u> | <u>258,032</u> |
| - | - | - | - | - |
| 1,029 | 94 | 44,473 | 958,497 | 113,549 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 47,142 |
| - | - | - | - | 15,455 |
| <u>1,029</u> | <u>94</u> | <u>44,473</u> | <u>958,497</u> | <u>176,146</u> |
| <u>17</u> | <u>(94)</u> | <u>693</u> | <u>200,391</u> | <u>81,886</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | (9,334) | - |
| - | - | - | (9,334) | - |
| <u>17</u> | <u>(94)</u> | <u>693</u> | <u>191,057</u> | <u>81,886</u> |
| (985) | (20,462) | (13,148) | 4,004 | 50,405 |
| - | 20,553 | - | - | - |
| <u>(985)</u> | <u>91</u> | <u>(13,148)</u> | <u>4,004</u> | <u>50,405</u> |
| <u>\$ (968)</u> | <u>\$ (3)</u> | <u>\$ (12,455)</u> | <u>\$ 195,061</u> | <u>\$ 132,291</u> |

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, 2013

| | Special Revenue | | | |
|----------------------------------------------------------|----------------------|----------------------------------|-----------------------|------------------|
| | Roads and Streets | Law Enforcement Protection | Fire Discretionary | Lodgers' Tax |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Gross receipts | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle taxes | 381,332 | - | - | - |
| Other | - | - | - | 70,997 |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | 32,000 | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 3,730 | - | - | - |
| Investment income | - | - | - | 1,941 |
| Rental income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>385,062</u> | <u>32,000</u> | <u>-</u> | <u>72,938</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | 228 |
| Public safety | - | - | - | - |
| Public works | 370,547 | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>370,547</u> | <u>-</u> | <u>-</u> | <u>228</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>14,515</u> | <u>32,000</u> | <u>-</u> | <u>72,710</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of land | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | (15,560) | - | (52,187) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(15,560)</u> | <u>-</u> | <u>(52,187)</u> |
| <i>Net change in fund balances</i> | <u>14,515</u> | <u>16,440</u> | <u>-</u> | <u>20,523</u> |
| <i>Fund balances - beginning of year</i> | (16,928) | 27,307 | 13,458 | 7,875 |
| <i>Fund balances - reclassification</i> | - | - | - | - |
| <i>Fund balances -beginning of year- as reclassified</i> | <u>(16,928)</u> | <u>27,307</u> | <u>13,458</u> | <u>7,875</u> |
| <i>Fund balances - end of year</i> | <u>\$ (2,413)</u> | <u>\$ 43,747</u> | <u>\$ 13,458</u> | <u>\$ 28,398</u> |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | Capital Projects | |
|--------------------------|----------------|----------------------------|-----------------------------------------|-------------------|
| Lodgers' Tax Promotional | Fiesta Council | U.S. Bureau of Reclamation | NMDOT Litter Control and Beautification | Plaza Development |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 6,974 | - |
| - | 12,136 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 2,931 |
| - | 7,919 | - | - | - |
| - | 20,055 | - | 6,974 | 2,931 |
| - | - | - | - | - |
| - | - | - | - | - |
| 17,000 | 26,867 | - | 6,974 | 69,583 |
| - | - | - | - | - |
| - | - | - | - | - |
| 17,000 | 26,867 | - | 6,974 | 69,583 |
| (17,000) | (6,812) | - | - | (66,652) |
| - | - | - | - | - |
| 21,000 | - | - | - | 12,687 |
| - | - | - | - | - |
| 21,000 | - | - | - | 12,687 |
| 4,000 | (6,812) | - | - | (53,965) |
| 44,929 | 18,950 | 38,857 | (2,482) | (23,926) |
| - | - | - | - | 77,891 |
| 44,929 | 18,950 | 38,857 | (2,482) | 53,965 |
| \$ 48,929 | \$ 12,138 | \$ 38,857 | \$ (2,482) | \$ - |

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, 2013

| | Capital Projects | | | |
|----------------------------------------------------------|----------------------------|---------------------------------------|--------------|-------------|
| | Capital Projects Grants | NMLA Capital Improvements Grant | NM DOT Grant | USDA Grants |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Gross receipts | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle taxes | - | - | - | - |
| Other | - | - | - | - |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | 257,218 | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Rental income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | - | - | 257,218 | - |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 26,825 | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | 90,293 | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | 26,825 | - | 90,293 | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | (26,825) | - | 166,925 | - |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of land | 590,000 | - | - | - |
| Transfers in | 505,365 | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 1,095,365 | - | - | - |
| <i>Net change in fund balances</i> | 1,068,540 | - | 166,925 | - |
| <i>Fund balances - beginning of year</i> | (520,511) | (208,918) | (646,350) | (22,419) |
| <i>Fund balances - reclassification</i> | - | 208,918 | 479,425 | 22,419 |
| <i>Fund balances -beginning of year- as reclassified</i> | (520,511) | - | (166,925) | - |
| <i>Fund balances - end of year</i> | \$ 548,029 | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements

Capital Projects

| Capital Projects Esp 8 | Federal W/WW Project Grant | State Water Project Grants | State Agency on Aging Grants | GRT Asset Replacement |
|---------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 91,500 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 91,500 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 123,090 | - | 3,672 | - |
| - | - | - | - | - |
| - | - | - | 5,151 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 123,090 | - | 8,823 | - |
| - | (31,590) | - | (8,823) | - |
| - | - | - | - | - |
| - | - | - | - | 156,537 |
| - | - | - | - | - |
| - | - | - | - | 156,537 |
| - | (31,590) | - | (8,823) | 156,537 |
| (36,657) | (347,482) | 29,205 | - | 49,069 |
| 36,657 | 379,072 | - | 8,823 | - |
| - | 31,590 | 29,205 | 8,823 | 49,069 |
| \$ - | \$ - | \$ 29,205 | \$ - | \$ 205,606 |

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, 2013

| | Debt Service | | | |
|----------------------------------------------------------|----------------------|----------------------------|-----------------------|---------------------------------------|
| | NMFA Debt Service | NMED CWSRF Debt Service | Trust Service Fund | NMFA PPR Equipment Project Loan |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Gross receipts | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle taxes | - | - | - | - |
| Other | - | - | - | - |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | 153 | - | - | 1,335 |
| Rental income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>153</u> | <u>-</u> | <u>-</u> | <u>1,335</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 27,542 | - | - | 295,000 |
| Interest | 12,911 | - | - | 96,825 |
| <i>Total expenditures</i> | <u>40,453</u> | <u>-</u> | <u>-</u> | <u>391,825</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(40,300)</u> | <u>-</u> | <u>-</u> | <u>(390,490)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of land | - | - | - | - |
| Transfers in | 54,588 | - | - | 391,828 |
| Transfers out | (13,591) | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>40,997</u> | <u>-</u> | <u>-</u> | <u>391,828</u> |
| <i>Net change in fund balances</i> | <u>697</u> | <u>-</u> | <u>-</u> | <u>1,338</u> |
| <i>Fund balances - beginning of year</i> | 91,467 | 542,557 | 3 | 595,304 |
| <i>Fund balances - reclassification</i> | <u>-</u> | <u>(542,557)</u> | <u>-</u> | <u>(145,114)</u> |
| <i>Fund balances -beginning of year- as reclassified</i> | <u>91,467</u> | <u>-</u> | <u>3</u> | <u>450,190</u> |
| <i>Fund balances - end of year</i> | <u>\$ 92,164</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 451,528</u> |

The accompanying notes are an integral part of these financial statements

Debt Service

| <u>USDA Loan / Police Department</u> | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------------------------|--------------------------------------------------|
| \$ - | \$ 1,151,244 |
| - | 381,332 |
| - | 70,997 |
| - | 45,166 |
| - | 91,500 |
| - | 381,023 |
| - | 337,218 |
| - | 15,866 |
| - | 4,912 |
| - | 2,931 |
| - | 14,987 |
| - | <u>2,497,176</u> |
| - | 27,053 |
| - | 1,193,859 |
| - | 594,576 |
| - | 142,900 |
| - | 95,743 |
| 12,200 | 381,884 |
| 3,447 | 128,638 |
| <u>15,647</u> | <u>2,564,653</u> |
| <u>(15,647)</u> | <u>(67,477)</u> |
| - | 590,000 |
| 15,560 | 1,157,565 |
| - | (90,672) |
| <u>15,560</u> | <u>1,656,893</u> |
| <u>(87)</u> | <u>1,589,416</u> |
| - | (698,270) |
| - | 981,732 |
| - | <u>283,462</u> |
| <u>\$ (87)</u> | <u>\$ 1,872,878</u> |

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, 2013

| | 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 | - | - | 551 | 551 |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>551</u> | <u>551</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | 651 | (651) |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>651</u> | <u>(651)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(100)</u> | <u>(100)</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>(100)</u> | <u>(100)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>584</u> | <u>584</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>584</u> | <u>584</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 484</u> | <u>\$ 484</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (100) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (100)</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, 2013

| | 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 | 12,280 | 3,400 | 3,400 | - |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>12,280</u> | <u>3,400</u> | <u>3,400</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 12,280 | 11,305 | 5,444 | 5,861 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>12,280</u> | <u>11,305</u> | <u>5,444</u> | <u>5,861</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>(7,905)</u> | <u>(2,044)</u> | <u>5,861</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 7,905 | - | (7,905) |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>7,905</u> | <u>-</u> | <u>(7,905)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(2,044)</u> | <u>(2,044)</u> |
| <i>Fund balance - beginning of year</i> | - | - | 22,094 | 22,094 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | 22,094 | 22,094 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,050</u> | <u>\$ 20,050</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (2,044) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (2,044)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

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, 2013

| | 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 - reclassification</i> | - | - | 16,206 | 16,206 |
| <i>Fund balance- reclassified</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

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, 2013

| | 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 | 3,416 | 3,416 | 762 | (2,654) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>3,416</u> | <u>3,416</u> | <u>762</u> | <u>(2,654)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 3,416 | 3,416 | 5,116 | (1,700) |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>3,416</u> | <u>3,416</u> | <u>5,116</u> | <u>(1,700)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(4,354)</u> | <u>(4,354)</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>(4,354)</u> | <u>(4,354)</u> |
| <i>Fund balance - beginning of year</i> | - | - | (4,924) | (4,924) |
| <i>Fund balance- reclassification</i> | - | - | 5,563 | 5,563 |
| <i>Fund balance- reclassified</i> | - | - | 639 | 639 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,715)</u> | <u>\$ (3,715)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (4,354) |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for salaries | | | | (3) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (4,357)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

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, 2013

| | 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 | - | - | - | - |
| Intergovernmental income | | | | |
| Federal capital grants | - | - | - | - |
| State operating grants | 10,506 | 10,506 | - | (10,506) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>10,506</u> | <u>10,506</u> | <u>-</u> | <u>(10,506)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 10,506 | 10,506 | - | 10,506 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>10,506</u> | <u>10,506</u> | <u>-</u> | <u>10,506</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> | - | - | (15,684) | (15,684) |
| <i>Fund balance- reclassification</i> | - | - | 15,684 | 15,684 |
| <i>Fund balance- reclassified</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-6

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, 2013

| | 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 | - | 35,360 | - | (35,360) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>35,360</u> | <u>-</u> | <u>(35,360)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 35,360 | 57,146 | (21,786) |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>35,360</u> | <u>57,146</u> | <u>(21,786)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(57,146)</u> | <u>(57,146)</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>(57,146)</u> | <u>(57,146)</u> |
| <i>Fund balance - beginning of year</i> | - | - | (333,954) | (333,954) |
| <i>Fund balance- reclassification</i> | - | - | 391,100 | 391,100 |
| <i>Fund balance- reclassified</i> | - | - | 57,146 | 57,146 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (57,146) |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for public safety expenditures | | | | 392 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (56,754)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

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, 2013

| | 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> | - | - | 6,761 | 6,761 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>6,761</u> | <u>6,761</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) | | | | \$ - |
| 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-8

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, 2013

| | 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 | 5,790 | 5,790 | 3,336 | (2,454) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>5,790</u> | <u>5,790</u> | <u>3,336</u> | <u>(2,454)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 5,790 | 5,790 | 3,702 | 2,088 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>5,790</u> | <u>5,790</u> | <u>3,702</u> | <u>2,088</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(366)</u> | <u>(366)</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>(366)</u> | <u>(366)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <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>\$ (366)</u> | <u>\$ (366)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (366) |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for public safety | | | | 259 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (107)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

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, 2013

| | 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 | 4,234 | 57,619 | 20,049 | (37,570) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>4,234</u> | <u>57,619</u> | <u>20,049</u> | <u>(37,570)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | 4,234 | 37,619 | 26,957 | 10,662 |
| Capital outlay | - | 20,000 | - | 20,000 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>4,234</u> | <u>57,619</u> | <u>26,957</u> | <u>30,662</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(6,908)</u> | <u>(6,908)</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>(6,908)</u> | <u>(6,908)</u> |
| <i>Fund balance - beginning of year</i> | - | - | - | - |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | - | - |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (6,908)</u> | <u>\$ (6,908)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (6,908) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (6,908)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

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, 2013

| | 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 | - | 1,680 | 1,607 | (73) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>1,680</u> | <u>1,607</u> | <u>(73)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 1,680 | 1,374 | 306 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>1,680</u> | <u>1,374</u> | <u>306</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>233</u> | <u>233</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>233</u> | <u>233</u> |
| <i>Fund balance - beginning of year</i> | - | - | (7,325) | (7,325) |
| <i>Fund balance- reclassification</i> | - | - | 7,092 | 7,092 |
| <i>Fund balance- reclassified</i> | - | - | (233) | (233) |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 233 |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for salaries | | | | 110 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 343</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

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, 2013

| | 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 | - | 12,055 | 12,055 | - |
| State capital grants | 2,301 | 80,000 | 80,000 | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>2,301</u> | <u>92,055</u> | <u>92,055</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 14,356 | 4,193 | 10,163 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | 2,301 | 80,000 | 80,000 | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>2,301</u> | <u>94,356</u> | <u>84,193</u> | <u>10,163</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>(2,301)</u> | <u>7,862</u> | <u>10,163</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 2,301 | - | (2,301) |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>2,301</u> | <u>-</u> | <u>(2,301)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>7,862</u> | <u>7,862</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>8,447</u> | <u>8,447</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>8,447</u> | <u>8,447</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,309</u> | <u>\$ 16,309</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 7,862 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 7,862</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

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, 2013

| | 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 | 33,802 | 2 |
| State capital grants | - | - | - | - |
| Miscellaneous | - | 11,400 | 11,396 | (4) |
| <i>Total revenues</i> | <u>-</u> | <u>45,200</u> | <u>45,198</u> | <u>(2)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 33,800 | 1,842 | 31,958 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | 11,400 | 10,592 | 808 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>45,200</u> | <u>12,434</u> | <u>32,766</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>32,764</u> | <u>32,764</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> | - | - | 32,764 | 32,764 |
| <i>Fund balance - beginning of year</i> | - | - | (6,622) | (6,622) |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,142</u> | <u>\$ 26,142</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 32,764 |
| Adjustments to revenues for state capital grants | | | | (3,080) |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 29,684</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

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, 2013

| | 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 | - | - | - | - |
| 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> | - | - | - | - |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <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-14

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, 2013

| | 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 | 4,256 | 4,256 | 1,046 | (3,210) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>4,256</u> | <u>4,256</u> | <u>1,046</u> | <u>(3,210)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 4,256 | 4,255 | 992 | 3,263 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>4,256</u> | <u>4,255</u> | <u>992</u> | <u>3,263</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>1</u> | <u>54</u> | <u>53</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | (1) | - | 1 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>1</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>54</u> | <u>54</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(985)</u> | <u>(985)</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>(985)</u> | <u>(985)</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (931)</u> | <u>\$ (931)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 54 |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for salaries | | | | (37) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 17</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

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, 2013

| | 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 | - | - | 91 | (91) |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>91</u> | <u>(91)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(91)</u> | <u>(91)</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>(91)</u> | <u>(91)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(20,462)</u> | <u>(20,462)</u> |
| <i>Fund balance- reclassification</i> | <u>-</u> | <u>-</u> | <u>20,553</u> | <u>20,553</u> |
| <i>Fund balance- reclassified</i> | <u>-</u> | <u>-</u> | <u>91</u> | <u>91</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (91) |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for salaries | | | | (3) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (94)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

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, 2013

| | 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 | 243,517 | 441,878 | 36,293 | (405,585) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>243,517</u> | <u>441,878</u> | <u>36,293</u> | <u>(405,585)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 243,517 | 243,517 | 44,849 | 198,668 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>243,517</u> | <u>243,517</u> | <u>44,849</u> | <u>198,668</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>198,361</u> | <u>(8,556)</u> | <u>(206,917)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | (198,361) | - | 198,361 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(198,361)</u> | <u>-</u> | <u>198,361</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(8,556)</u> | <u>(8,556)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(22,299)</u> | <u>(22,299)</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>(22,299)</u> | <u>(22,299)</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (30,855)</u> | <u>\$ (30,855)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (8,556) |
| Adjustments to revenues for state operating grants | | | | 8,873 |
| Adjustments to expenditures for salaries | | | | 376 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 693</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

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, 2013

| | Budgeted Amounts | | Actual | Variances |
|----------------------------------------------------------|------------------|----------------|------------------|-----------------------------------------|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | 929,881 | 986,781 | 986,781 | - |
| 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 | 1,127 | 727 |
| Miscellaneous | 3,200 | 3,200 | 6,522 | 3,322 |
| <i>Total revenues</i> | <u>933,481</u> | <u>990,381</u> | <u>994,430</u> | <u>4,049</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 924,146 | 989,181 | 956,240 | 32,941 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>924,146</u> | <u>989,181</u> | <u>956,240</u> | <u>32,941</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>9,335</u> | <u>1,200</u> | <u>38,190</u> | <u>36,990</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 8,121 | - | (8,121) |
| Transfers in | - | - | - | - |
| Transfers out | (9,335) | (9,321) | (9,334) | (13) |
| <i>Total other financing sources (uses)</i> | <u>(9,335)</u> | <u>(1,200)</u> | <u>(9,334)</u> | <u>(8,134)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>28,856</u> | <u>28,856</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>16,597</u> | <u>16,597</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>16,597</u> | <u>16,597</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 45,453</u> | <u>\$ 45,453</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 28,856 |
| Adjustments to revenues for gross receipts taxes | | | | 164,458 |
| Adjustments to expenditures for salaries and repairs | | | | (2,257) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 191,057</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

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, 2013

| | 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 | 207,613 | 402,763 | 257,676 | (145,087) |
| State capital grants | - | - | - | - |
| Investment income (loss) | - | - | 356 | 356 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>207,613</u> | <u>402,763</u> | <u>258,032</u> | <u>(144,731)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 68,181 | 263,329 | 121,310 | 142,019 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | 79,816 | 79,816 | - | 79,816 |
| Debt service | | | | |
| Principal | 59,616 | 59,616 | 47,142 | 12,474 |
| Interest | - | - | 15,455 | (15,455) |
| <i>Total expenditures</i> | <u>207,613</u> | <u>402,761</u> | <u>183,907</u> | <u>218,854</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>2</u> | <u>74,125</u> | <u>74,123</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | (2) | - | 2 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(2)</u> | <u>-</u> | <u>2</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>74,125</u> | <u>74,125</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>65,094</u> | <u>65,094</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>65,094</u> | <u>65,094</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 139,219</u> | <u>\$ 139,219</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 74,125 |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for salaries | | | | 7,761 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 81,886</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

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, 2013

| | Budgeted Amounts | | Actual | Variances |
|----------------------------------------------------------|------------------|----------------|---------------------|-----------------------------------------------|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gasoline and motor vehicle | 289,000 | 289,000 | 363,219 | 74,219 |
| Franchise | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 9,000 | 9,000 | 3,730 | (5,270) |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>298,000</u> | <u>298,000</u> | <u>366,949</u> | <u>68,949</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 298,000 | 298,000 | 378,440 | (80,440) |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>298,000</u> | <u>298,000</u> | <u>378,440</u> | <u>(80,440)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | - | (11,491) | (11,491) |
| <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> | - | - | (11,491) | (11,491) |
| <i>Fund balance - beginning of year</i> | - | - | (43,341) | (43,341) |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | (43,341) | (43,341) |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (54,832)</u> | <u>\$ (54,832)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (11,491) |
| Adjustments to revenues for gasoline and motor vehicles | | | | 18,113 |
| Adjustments to expenditures for professional services | | | | 7,893 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 14,515</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

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, 2013

| | 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 | 47,250 | 32,000 | 32,000 | - |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>47,250</u> | <u>32,000</u> | <u>32,000</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 31,600 | 31,600 | - | 31,600 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>31,600</u> | <u>31,600</u> | <u>-</u> | <u>31,600</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>15,650</u> | <u>400</u> | <u>32,000</u> | <u>31,600</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 15,250 | - | (15,250) |
| Transfers in | - | - | - | - |
| Transfers out | (15,650) | (15,650) | (15,560) | 90 |
| <i>Total other financing sources (uses)</i> | <u>(15,650)</u> | <u>(400)</u> | <u>(15,560)</u> | <u>(15,160)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>16,440</u> | <u>16,440</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>27,307</u> | <u>27,307</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>27,307</u> | <u>27,307</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 43,747</u> | <u>\$ 43,747</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 16,440 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 16,440</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-21

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, 2013

| | 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> | <u>-</u> | <u>-</u> | <u>13,458</u> | <u>13,458</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>13,458</u> | <u>13,458</u> |
| <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-22

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, 2013

| | 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 | 52,000 | 52,000 | 38,265 | (13,735) |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Investment income | - | - | 1,941 | 1,941 |
| <i>Total revenues</i> | <u>52,000</u> | <u>52,000</u> | <u>40,206</u> | <u>(11,794)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 21,000 | 230 | 228 | 2 |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>21,000</u> | <u>230</u> | <u>228</u> | <u>2</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>31,000</u> | <u>51,770</u> | <u>39,978</u> | <u>(11,792)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | (31,000) | (51,770) | (52,187) | (417) |
| <i>Total other financing sources (uses)</i> | <u>(31,000)</u> | <u>(51,770)</u> | <u>(52,187)</u> | <u>(417)</u> |
| <i>Net change in fund balance</i> | - | - | (12,209) | (12,209) |
| <i>Fund balance - beginning of year</i> | - | - | - | - |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (12,209)</u> | <u>\$ (12,209)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (12,209) |
| Adjustments to revenues for other taxes | | | | 32,732 |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 20,523</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-23

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, 2013

| | 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 | 21,000 | 21,000 | 17,000 | 4,000 |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>21,000</u> | <u>21,000</u> | <u>17,000</u> | <u>4,000</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(21,000)</u> | <u>(21,000)</u> | <u>(17,000)</u> | <u>4,000</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in | 21,000 | 21,000 | 21,000 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>21,000</u> | <u>21,000</u> | <u>21,000</u> | <u>-</u> |
| <i>Net change in fund balance</i> | - | - | 4,000 | 4,000 |
| <i>Fund balance - beginning of year</i> | - | - | 44,929 | 44,929 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 48,929</u> | <u>\$ 48,929</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 4,000 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 4,000</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-24

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, 2013

| | Budgeted Amounts | | Actual (Non-GAAP Basis) | Variances Favorable (Unfavorable) |
|----------------------------------------------------------------------------|------------------|---------------|-------------------------------|-----------------------------------------|
| | Original | Final | | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 14,400 | 14,400 | 18,586 | 4,186 |
| Miscellaneous | 30,600 | 30,600 | 15,592 | (15,008) |
| <i>Total revenues</i> | <u>45,000</u> | <u>45,000</u> | <u>34,178</u> | <u>(10,822)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | 45,000 | 45,000 | 27,107 | 17,893 |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>45,000</u> | <u>45,000</u> | <u>27,107</u> | <u>17,893</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | - | 7,071 | 7,071 |
| <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> | - | - | 7,071 | 7,071 |
| <i>Fund balance - beginning of year</i> | - | - | 5,067 | 5,067 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | 5,067 | 5,067 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,138</u> | <u>\$ 12,138</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 7,071 |
| Adjustments to revenues for charges for service and miscellaneous revenues | | | | (14,123) |
| Adjustments to expenditures for supplies | | | | 240 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (6,812)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-25

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, 2013

| | 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 | - | - | - | - |
| 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> | - | - | 38,857 | 38,857 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <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-26

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, 2013

| | 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 | 7,000 | 7,000 | - | (7,000) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>7,000</u> | <u>7,000</u> | <u>-</u> | <u>(7,000)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 7,000 | 7,000 | 6,974 | 26 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>7,000</u> | <u>7,000</u> | <u>6,974</u> | <u>26</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(6,974)</u> | <u>(6,974)</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>(6,974)</u> | <u>(6,974)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(2,482)</u> | <u>(2,482)</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>(2,482)</u> | <u>(2,482)</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (9,456)</u> | <u>\$ (9,456)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (6,974) |
| Adjustments to revenues for state operating grants | | | | 6,974 |
| 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-27

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, 2013

| | 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 | - | - | - | - |
| Rental income | 7,313 | 7,313 | 2,931 | (4,382) |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>7,313</u> | <u>7,313</u> | <u>2,931</u> | <u>(4,382)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | 60,000 | 60,000 | 69,583 | (9,583) |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>60,000</u> | <u>60,000</u> | <u>69,583</u> | <u>(9,583)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(52,687)</u> | <u>(52,687)</u> | <u>(66,652)</u> | <u>(13,965)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | 40,000 | 40,000 | - | (40,000) |
| Transfers in | 12,687 | 12,687 | 12,687 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>52,687</u> | <u>52,687</u> | <u>12,687</u> | <u>(40,000)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(53,965)</u> | <u>(53,965)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(23,926)</u> | <u>(23,926)</u> |
| <i>Fund balance- reclassification</i> | <u>-</u> | <u>-</u> | <u>77,891</u> | <u>77,891</u> |
| <i>Fund balance- reclassified</i> | <u>-</u> | <u>-</u> | <u>53,965</u> | <u>53,965</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (53,965) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (53,965)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

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, 2013

| | 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 | - | - | 41,971 | (41,971) |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>41,971</u> | <u>(41,971)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(41,971)</u> | <u>(41,971)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | (40,000) | (40,000) | - | 40,000 |
| Proceeds from the sale of land | - | - | 590,000 | 590,000 |
| Transfers in | 40,000 | 40,000 | 505,365 | 465,365 |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>1,095,365</u> | <u>1,095,365</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>1,053,394</u> | <u>1,053,394</u> |
| <i>Fund balance - beginning of year</i> | - | - | (505,365) | (505,365) |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>(505,365)</u> | <u>(505,365)</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>548,029</u> | <u>548,029</u> |
| Net change in fund balance (Non-GAAP basis) | | | | 1,053,394 |
| No adjustments to revenues | | | | - |
| Adjustments to expenditures for maintenance | | | | 15,146 |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 1,068,540</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-29

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, 2013

| | 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> | - | - | (208,918) | (208,918) |
| <i>Fund balance- reclassification</i> | - | - | 208,918 | 208,918 |
| <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-30

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, 2013

| | 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 | 36,624 | 151,586 | 238,271 | 86,685 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>36,624</u> | <u>151,586</u> | <u>238,271</u> | <u>86,685</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 16,433 | 131,395 | 90,293 | 41,102 |
| Culture and recreation | - | - | - | - |
| Capital outlay | 20,191 | 20,191 | - | 20,191 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>36,624</u> | <u>151,586</u> | <u>90,293</u> | <u>61,293</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>147,978</u> | <u>147,978</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>147,978</u> | <u>147,978</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(646,350)</u> | <u>(646,350)</u> |
| <i>Fund balance- reclassification</i> | <u>-</u> | <u>-</u> | <u>479,425</u> | <u>479,425</u> |
| <i>Fund balance- reclassified</i> | <u>-</u> | <u>-</u> | <u>(166,925)</u> | <u>(166,925)</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (18,947)</u> | <u>\$ (18,947)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 147,978 |
| Adjustments to revenues for state capital grants | | | | 18,947 |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 166,925</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-31

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, 2013

| | 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> | - | - | (22,419) | (22,419) |
| <i>Fund balance- reclassification</i> | - | - | 22,419 | 22,419 |
| <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-32

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, 2013

| | 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 | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| 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-reclassification</i> | - | - | 36,657 | 36,657 |
| Fund balance-reclassified | - | - | - | - |
| <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-33

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, 2013

| | 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 | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | 1,581,881 | 2,260,881 | - | (2,260,881) |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>1,581,881</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 | 123,090 | 94,122 |
| Culture and recreation | - | - | - | - |
| Capital outlay | 1,364,669 | 2,043,669 | - | 2,043,669 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>1,581,881</u> | <u>2,260,881</u> | <u>123,090</u> | <u>2,137,791</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(123,090)</u> | <u>(123,090)</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>(123,090)</u> | <u>(123,090)</u> |
| <i>Fund balance - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(347,482)</u> | <u>(347,482)</u> |
| <i>Fund balance-reclassification</i> | <u>-</u> | <u>-</u> | <u>379,072</u> | <u>379,072</u> |
| <i>Fund balance-reclassified</i> | <u>-</u> | <u>-</u> | <u>31,590</u> | <u>31,590</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (91,500)</u> | <u>\$ (91,500)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (123,090) |
| Adjustments to revenues for federal capital grants | | | | 91,500 |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (31,590)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-34

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, 2013

| | 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> | - | - | 29,205 | 29,205 |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>29,205</u> | <u>29,205</u> |
| <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-35

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, 2013

| | 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 | - | 10,000 | - | (10,000) |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>(10,000)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | 398 | (398) |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | 10,000 | 8,425 | 1,575 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>10,000</u> | <u>8,823</u> | <u>1,177</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>(8,823)</u> | <u>(8,823)</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>(8,823)</u> | <u>(8,823)</u> |
| <i>Fund balance - beginning of year</i> | - | - | - | - |
| <i>Fund balance- reclassification</i> | - | - | 8,823 | 8,823 |
| <i>Fund balance- reclassified</i> | - | - | 8,823 | 8,823 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (8,823) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (8,823)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-36

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, 2013

| | 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 | 267,800 | 173,492 | - | (173,492) |
| State capital grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>267,800</u> | <u>173,492</u> | <u>-</u> | <u>(173,492)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 267,800 | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>267,800</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>173,492</u> | <u>-</u> | <u>(173,492)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | (94,368) | (267,860) | - | 267,860 |
| Transfers in | 94,368 | 94,368 | 156,537 | 62,169 |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>(173,492)</u> | <u>156,537</u> | <u>330,029</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> | <u>-</u> | <u>-</u> | <u>49,069</u> | <u>49,069</u> |
| <i>Fund balance- restatement</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>49,069</u> | <u>49,069</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 205,606</u> | <u>\$ 205,606</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-37

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, 2013

| | 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 | - | - | - | - |
| Investment income (loss) | - | - | 153 | 153 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>153</u> | <u>153</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 27,542 | 27,542 | 27,542 | - |
| Interest | 12,913 | 12,913 | 12,911 | 2 |
| <i>Total expenditures</i> | <u>40,455</u> | <u>40,455</u> | <u>40,453</u> | <u>2</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(40,455)</u> | <u>(40,455)</u> | <u>(40,300)</u> | <u>155</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in | 40,455 | 40,455 | 54,588 | 14,133 |
| Transfers out | - | - | (13,591) | (13,591) |
| <i>Total other financing sources (uses)</i> | <u>40,455</u> | <u>40,455</u> | <u>40,997</u> | <u>542</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>697</u> | <u>697</u> |
| <i>Fund balance - beginning of year</i> | - | - | 91,467 | 91,467 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | 91,467 | 91,467 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 92,164</u> | <u>\$ 92,164</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 697 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 697</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2013

| | 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 | - | - | - | - |
| 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> | - | - | 542,557 | 542,557 |
| <i>Fund balance- reclassification</i> | - | - | (542,557) | (542,557) |
| <i>Fund balance- reclassified</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-39

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, 2013

| | 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> | - | - | 3 | 3 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <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-40

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, 2013

| | 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) | - | - | 1,335 | 1,335 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>1,335</u> | <u>1,335</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 80,000 | 80,000 | - | 80,000 |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 307,173 | 320,000 | 295,000 | 25,000 |
| Interest | 100,275 | 131,756 | 96,825 | 34,931 |
| <i>Total expenditures</i> | <u>487,448</u> | <u>531,756</u> | <u>391,825</u> | <u>139,931</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(487,448)</u> | <u>(531,756)</u> | <u>(390,490)</u> | <u>141,266</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | 35,693 | 80,001 | - | (80,001) |
| Transfers in | 451,755 | 451,755 | 391,828 | (59,927) |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>487,448</u> | <u>531,756</u> | <u>391,828</u> | <u>(139,928)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>1,338</u> | <u>1,338</u> |
| <i>Fund balance - beginning of year</i> | - | - | 595,304 | 595,304 |
| <i>Fund balance- reclassification</i> | - | - | (145,114) | (145,114) |
| <i>Fund balance- reclassified</i> | - | - | 450,190 | 450,190 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 451,528</u> | <u>\$ 451,528</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 1,338 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 1,338</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-41

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, 2013

| | 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 | 12,200 | 12,200 | - |
| Interest | 2,566 | 3,447 | 3,447 | - |
| <i>Total expenditures</i> | <u>15,560</u> | <u>15,647</u> | <u>15,647</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(15,560)</u> | <u>(15,647)</u> | <u>(15,647)</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | (28) | - | 28 |
| Transfers in | 15,560 | 15,675 | 15,560 | (115) |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>15,560</u> | <u>15,647</u> | <u>15,560</u> | <u>(87)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(87)</u> | <u>(87)</u> |
| <i>Fund balance - beginning of year</i> | - | - | 0 | - |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | - | - |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (87)</u> | <u>\$ (87)</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (87) |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (87)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-42

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, 2013

| | Budgeted Amounts | | Actual | Variances |
|----------------------------------------------------------|--------------------|--------------------|---------------------|-----------------------------------------------|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | 1,059,546 | 1,059,546 | 1,078,200 | 18,654 |
| Gasoline and motor vehicle | - | - | - | - |
| Franchise | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Miscellaneous | - | 52,695 | - | (52,695) |
| <i>Total revenues</i> | <u>1,059,546</u> | <u>1,112,241</u> | <u>1,078,200</u> | <u>(34,041)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | 52,694 | 52,694 | 1,135,510 | (1,082,816) |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>52,694</u> | <u>52,694</u> | <u>1,135,510</u> | <u>(1,082,816)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>1,006,852</u> | <u>1,059,547</u> | <u>(57,310)</u> | <u>(1,116,857)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | (389,856) | (616,997) | - | 616,997 |
| Transfers in | - | - | - | - |
| Transfers out | (616,996) | (442,550) | (793,457) | (350,907) |
| <i>Total other financing sources (uses)</i> | <u>(1,006,852)</u> | <u>(1,059,547)</u> | <u>(793,457)</u> | <u>266,090</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(850,767)</u> | <u>(850,767)</u> |
| <i>Fund balance - beginning of year</i> | - | - | 2,499,991 | 2,499,991 |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | <u>-</u> | <u>-</u> | <u>2,499,991</u> | <u>2,499,991</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,649,224</u> | <u>\$ 1,649,224</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ (850,767) |
| Adjustments to revenues for gross receipts taxes | | | | 14,357 |
| Adjustments to expenditures for professional services | | | | (6,309) |
| Net change in fund balance (GAAP basis) | | | | <u>\$ (842,719)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-43

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, 2013

| | 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 | 3,140,632 | 3,140,632 | 1,849,706 | (1,290,926) |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>3,140,632</u> | <u>3,140,632</u> | <u>1,849,706</u> | <u>(1,290,926)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 3,140,632 | 3,140,632 | 1,728,784 | 1,411,848 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>3,140,632</u> | <u>3,140,632</u> | <u>1,728,784</u> | <u>1,411,848</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | - | 120,922 | 120,922 |
| <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> | - | - | 120,922 | 120,922 |
| <i>Fund balance - beginning of year</i> | - | - | (120,922) | (120,922) |
| <i>Fund balance- restatement</i> | - | - | - | - |
| <i>Fund balance- as restated</i> | - | - | (120,922) | (120,922) |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 120,922 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 120,922</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-44

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, 2013

| | 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) | - | - | 2,885 | 2,885 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>2,885</u> | <u>2,885</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 380,000 | 380,000 | 380,000 | - |
| Interest | 279,597 | 279,598 | 279,598 | - |
| <i>Total expenditures</i> | <u>659,597</u> | <u>659,598</u> | <u>659,598</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(659,597)</u> | <u>(659,598)</u> | <u>(656,713)</u> | <u>2,885</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | - | 1 | - | (1) |
| Transfers in | 659,597 | 659,597 | 659,597 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>659,597</u> | <u>659,598</u> | <u>659,597</u> | <u>(1)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>2,884</u> | <u>2,884</u> |
| <i>Fund balance - beginning of year</i> | - | - | (81,554) | (81,554) |
| <i>Fund balance- restatement</i> | - | - | 1,826,657 | 1,826,657 |
| <i>Fund balance- as restated</i> | - | - | 1,745,103 | 1,745,103 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,747,987</u> | <u>\$ 1,747,987</u> |
| Net change in fund balance (Non-GAAP basis) | | | | \$ 2,884 |
| No adjustments to revenues | | | | - |
| No adjustments to expenditures | | | | - |
| Net change in fund balance (GAAP basis) | | | | <u>\$ 2,884</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-45

City of Espanola

Water and Wastewater Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

| | Budget Amounts | | Actual (GAAP Basis) | Variances |
|--------------------------------------------------|---------------------|---------------------|------------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues</i> | | | | |
| Charges for services | \$ 7,700,825 | \$ 7,692,590 | \$ 5,382,564 | \$ (2,310,026) |
| <i>Total operating revenues</i> | <u>7,700,825</u> | <u>7,692,590</u> | <u>5,382,564</u> | <u>(2,310,026)</u> |
| <i>Operating expenses</i> | | | | |
| Personnel services | 1,369,481 | 1,521,911 | 1,276,266 | 245,645 |
| Contractual services | 484,153 | 484,153 | 2,037,180 | (1,553,027) |
| Supplies and services | 900,769 | 900,769 | 447,709 | 453,060 |
| Repairs and maintenance | 381,498 | 381,498 | 243,219 | 138,279 |
| Utilities | 519,500 | 519,500 | 462,735 | 56,765 |
| Depreciation expense | - | - | 193,347 | (193,347) |
| Bad debt expense | - | - | - | - |
| <i>Total operating expenses</i> | <u>3,655,401</u> | <u>3,807,831</u> | <u>4,660,456</u> | <u>(852,625)</u> |
| <i>Operating income (loss)</i> | <u>4,045,424</u> | <u>3,884,759</u> | <u>722,108</u> | <u>(3,162,651)</u> |
| <i>Non-operating revenues (expenses)</i> | | | | |
| Interest expense | (174,482) | (174,482) | (172,013) | 2,469 |
| Interest income | - | - | 1,156 | 1,156 |
| <i>Total non-operating revenues (expenses)</i> | <u>(174,482)</u> | <u>(174,482)</u> | <u>(170,857)</u> | <u>3,625</u> |
| <i>Income (loss) before transfers and grants</i> | <u>3,870,942</u> | <u>3,710,277</u> | <u>551,251</u> | <u>(3,159,026)</u> |
| Transfer of capital assets | - | - | (540,490) | (540,490) |
| Transfers | (2,026,664) | (1,000,628) | (827,809) | 172,819 |
| <i>Change in net position</i> | <u>\$ 1,844,278</u> | <u>\$ 2,709,649</u> | <u>(817,048)</u> | <u>\$ (3,526,697)</u> |
| <i>Total net position, beginning of year</i> | | | 6,003,835 | |
| <i>Net position reclassification (Note 20)</i> | | | <u>(1,072,787)</u> | |
| <i>Net position, reclassified</i> | | | <u>4,931,048</u> | |
| <i>Total net position, end of year</i> | | | <u>\$ 4,114,000</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-46

City of Espanola

Utility Asset Management Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

| | Budget Amounts | | Actual | Variances |
|----------------------------------------------------|----------------|-------|--------------|-----------------------------------------------|
| | Original | Final | (GAAP Basis) | 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 position</i> | \$ - | \$ - | - | \$ - |
| <i>Total net position, beginning of year</i> | | | (49,069) | |
| <i>Net position reclassification (Note 20)</i> | | | 49,069 | |
| <i>Total net position, end of year</i> | | | \$ - | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-47

City of Espanola

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

| | Budget Amounts | | Actual (GAAP Basis) | Variances |
|--------------------------------------------------|-------------------|------------------|------------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues</i> | | | | |
| Charges for services | \$ 818,000 | \$ 642,000 | \$ 642,776 | \$ 776 |
| <i>Total operating revenues</i> | <u>818,000</u> | <u>642,000</u> | <u>642,776</u> | <u>776</u> |
| <i>Operating expenses</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | 597,500 | 569,800 | 626,632 | (56,832) |
| Supplies and services | 159,200 | 159,200 | 118,751 | 40,449 |
| Repairs and maintenance | - | - | - | - |
| Utilities | - | - | - | - |
| Bad debt expense | - | - | - | - |
| <i>Total operating expenses</i> | <u>756,700</u> | <u>729,000</u> | <u>745,383</u> | <u>(16,383)</u> |
| <i>Operating income (loss)</i> | <u>61,300</u> | <u>(87,000)</u> | <u>(102,607)</u> | <u>(15,607)</u> |
| <i>Non-operating revenues (expenses)</i> | | | | |
| Gross receipts taxes | 176,000 | 176,000 | 176,559 | 559 |
| Interest expense | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| <i>Total non-operating revenues (expenses)</i> | <u>176,000</u> | <u>176,000</u> | <u>176,559</u> | <u>559</u> |
| <i>Income (loss) before transfers and grants</i> | <u>237,300</u> | <u>89,000</u> | <u>73,952</u> | <u>(15,048)</u> |
| Transfers | <u>(61,300)</u> | <u>(61,300)</u> | <u>(61,300)</u> | <u>-</u> |
| <i>Change in net position</i> | <u>\$ 176,000</u> | <u>\$ 27,700</u> | <u>12,652</u> | <u>\$ (15,048)</u> |
| <i>Total net position, beginning of year</i> | | | (1,555,869) | |
| <i>Net position reclassification (Note 20)</i> | | | <u>1,292,632</u> | |
| <i>Net position, reclassified</i> | | | <u>(263,237)</u> | |
| <i>Total net position, end of year</i> | | | <u>\$ (250,585)</u> | |

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, 2013

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 | \$ 68,654 | \$ 2,710 | \$ - | \$ 71,364 |
| E-911 | Checking | 259,757 | 1,584 | 8,087 | 253,254 |
| Fire Fund | Checking | 315,779 | - | 3,891 | 311,888 |
| General Fund | Checking | 1,197,848 | 248,666 | 297,465 | 1,149,049 |
| Online Utility | Checking | 782,363 | 3,631 | - | 785,994 |
| Payroll Fund | Checking | 314,742 | 49 | 74,741 | 240,050 |
| Restricted Fund | Checking | 1,577,186 | - | - | 1,577,186 |
| General Fund - Express Bill Pay | Checking | 129,473 | - | - | 129,473 |
| Certificate of Deposit | CD | 70,000 | - | - | 70,000 |
| Certificate of Deposit | CD | 85,000 | - | - | 85,000 |
| 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 | | <u>7,417,731</u> | <u>256,640</u> | <u>384,184</u> | <u>7,290,187</u> |
| Bank of Albuquerque- Restricted Cash and Cash Equivalents | | | | | |
| Espanola Municipal Infrastructure GRT Income Fund | U.S. Treasury | | | | |
| | Mutual Fund | 151,210 | - | - | 151,210 |
| Espanola Municipal Infrastructure GRT Debt Service | U.S. Treasury | | | | |
| | Mutual Fund | 27 | - | - | 27 |
| Espanola Municipal Infrastructure GRT Debt Service Reserve | U.S. Treasury | | | | |
| | Mutual Fund | 375,419 | - | - | 375,419 |
| Total Bank of Albuquerque | | <u>526,656</u> | <u>-</u> | <u>-</u> | <u>526,656</u> |
| New Mexico Finance Authority - Restricted Cash and Cash Equivalents | | | | | |
| Espanola 1 | State Treasurer | | | | |
| | Debt Service | 40,670 | - | - | 40,670 |
| Espanola 1- Reserve | State Treasurer | | | | |
| | Debt Service | 51,494 | - | - | 51,494 |
| Espanola 8 | State Treasurer | | | | |
| | Debt Service | 333,000 | - | - | 333,000 |
| Espanola 8- Reserve | State Treasurer | | | | |
| | Debt Service | 772,028 | - | - | 772,028 |
| Espanola 8- Prog. Fund | State Treasurer | | | | |
| | Debt Service | 187,149 | - | - | 187,149 |
| Espanola 12 | State Treasurer | | | | |
| | Debt Service | 131,846 | - | - | 131,846 |
| Espanola 12- Reserve | State Treasurer | | | | |
| | Debt Service | 40,253 | - | - | 40,253 |
| | | <u>1,556,440</u> | <u>-</u> | <u>-</u> | <u>1,556,440</u> |

See independent auditors' report

| Bank Name/Account Name | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Book Balance |
|----------------------------------------------------------------------------------------|---------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------|
| New Mexico Finance Authority - Restricted Cash and Cash Equivalents (continued) | | | | | |
| Espanola 13 | State Treasurer Debt Service | 242,136 | - | - | 242,136 |
| Espanola 13- Reserve | State Treasurer Debt Service | 40,073 | - | - | 40,073 |
| Total New Mexico Finance Authority | | <u>1,838,649</u> | <u>-</u> | <u>-</u> | <u>1,838,649</u> |
| Total | | <u><u>\$ 9,783,036</u></u> | <u><u>\$ 256,640</u></u> | <u><u>\$ 384,184</u></u> | 9,655,492 |
| 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><u>\$ 11,424,168</u></u> |
| Deposits and investments per financial statements: | | | | | |
| Cash, investments, and cash equivalents - Exhibit A-1 | | | | | \$ 8,460,571 |
| Other investments - Exhibit A-1 | | | | | 228,929 |
| Restricted cash and cash equivalents - Exhibit A-1 | | | | | 2,365,305 |
| Fiduciary funds cash and investments - Exhibit E-1 | | | | | 369,363 |
| Total deposits and investments | | | | | <u><u>\$ 11,424,168</u></u> |

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STATE OF NEW MEXICO

Schedule II

City of Espanola

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

| Name of Depository | Description of Pledged Collateral | Maturity | CUSIP Number | Fair Market/Par Value at June 30, 2013 | Location of Safekeeper |
|-----------------------------|-----------------------------------|------------|--------------|----------------------------------------|-----------------------------------------|
| Valley National Bank | | | | | |
| | FHLB | 3/13/2015 | 3133XQBC5 | \$ 1,064,773 | TIB Independent Bankers Bank Dallas, TX |
| | FNMA # MA 1165 | 8/1/2032 | 31418AJK5 | 1,369,227 | TIB Independent Bankers Bank Dallas, TX |
| | FHLMC GOLD | 12/1/2021 | 3128PXL1 | 1,822,557 | TIB Independent Bankers Bank Dallas, TX |
| | FLMC Pool # E09025 | 3/1/2028 | 31294UA29 | 1,174,856 | TIB Independent Bankers Bank Dallas, TX |
| | University of NM Gallup | 10/15/2023 | 914684DW2 | 1,000,000 | TIB Independent Bankers Bank Dallas, TX |
| | Federal Farm Credit Bank | 2/15/2020 | 3133FXDY0 | 956,534 | TIB Independent Bankers Bank Dallas, TX |
| | | | | <u>\$ 7,387,947</u> | |
| Total Pledged Collateral | | | | <u><u>\$ 7,387,947</u></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, 2013

Schedule III
Page 1 of 2

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| <i>Assets</i> | | | | |
| <i>Judicial:</i> | | | | |
| Cash | \$ (23,905) | \$ 59,135 | \$ 44,718 | \$ (9,488) |
| Accounts Receivable | 11,846 | - | 11,846 | - |
| Assets | <u>\$ (12,059)</u> | <u>\$ 59,135</u> | <u>\$ 56,564</u> | <u>\$ (9,488)</u> |
| <i>Municipal Court:</i> | | | | |
| Cash | \$ (748) | - | - | \$ (748) |
| Assets | <u>\$ (748)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (748)</u> |
| <i>Bond:</i> | | | | |
| Cash | \$ 97,737 | \$ 178,551 | \$ 178,065 | \$ 98,223 |
| Assets | <u>\$ 97,737</u> | <u>\$ 178,551</u> | <u>\$ 178,065</u> | <u>\$ 98,223</u> |
| <i>Utility Deposit Trust:</i> | | | | |
| Cash | \$ 216,547 | \$ 34,647 | \$ 21,521 | \$ 229,673 |
| Investments | 43,000 | - | - | 43,000 |
| Accounts Receivable | 482 | - | - | \$ 482 |
| Assets | <u>\$ 260,029</u> | <u>\$ 34,647</u> | <u>\$ 21,521</u> | <u>\$ 273,155</u> |
| <i>Employee Activities:</i> | | | | |
| Cash | \$ (78) | - | - | (78) |
| Assets | <u>\$ (78)</u> | <u>\$ -</u> | <u>\$ -</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>\$ 73</u> | <u>\$ -</u> |

See independent auditors' report

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| <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 | \$ 9,900 | \$ 5,306 | \$ 6,444 |
| Assets | <u>\$ 1,850</u> | <u>\$ 9,900</u> | <u>\$ 5,306</u> | <u>\$ 6,444</u> |
| <i>Forfeiture:</i> | | | | |
| Cash | \$ 967 | \$ - | \$ - | \$ 967 |
| Assets | <u>\$ 967</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 967</u> |
| Total assets | <u>\$ 349,141</u> | <u>\$ 282,233</u> | <u>\$ 261,529</u> | <u>\$ 369,845</u> |
| <i>Liabilities</i> | | | | |
| Deposits payable | \$ 50,375 | \$ 89,972 | \$ 82,990 | \$ 57,357 |
| Accounts payable | 2,734 | 5,324 | 2,734 | 5,324 |
| Due to other entities | <u>296,032</u> | <u>186,937</u> | <u>175,805</u> | <u>307,164</u> |
| Total liabilities | <u>\$ 349,141</u> | <u>\$ 282,233</u> | <u>\$ 261,529</u> | <u>\$ 369,845</u> |

See independent auditors' report

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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 *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The City Council
City of Espanola
Espanola, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the City of Espanola (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (see finding FS 2010-003).

Compliance and Other Matters

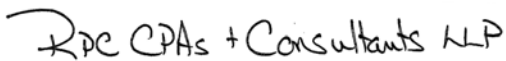
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2003-001, FS 2011-003, FS 2011-004, FS 2012-002, FS 2012-003, FS 2012-004, FS 2012-005 and FS 2012-011.

The City's Responses to Findings

The City's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAS + CONSULTANTS, LLP
Albuquerque, New Mexico
February 29, 2016

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STATE OF NEW MEXICO
City of Espanola
Schedule of Findings and Responses
June 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|----------------------------------------------------------------------------------|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

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Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

FS 2000-003 Budgetary Noncompliance (Other Matter) (Repeat/Modified)

FS 2003-001 Late Audit Report (Other Matter) (Repeat/Modified)

FS 2005-019 Bank Reconciliations (Material Weakness) (Resolved)

FS 2008-004 Year-end Cutoff (Material Weakness) (Resolved)

FS 2008-005 Insufficient Internal Controls over Payroll (Material Weakness) (Resolved)

FS 2008-007 Deficits in Budgeted and Actual Fund Balances (Non Compliance) (Resolved)

FS 2010-003 Deficiencies in Internal Control Structure Design, Operation and Oversight (Significant Deficiency) (Repeat/Modified)

FS 2011-002 Internal Controls over Journal Entries (Resolved)

FS 2011-003 Insufficient Capital Asset Internal Controls (Other Matter) (Repeat/Modified)

FS 2011-004 Late Submission of IPA Recommendation Form and Audit Contract (Other Matter) (Repeated/Modified)

FS 2011-005 Adjustments Made to Restate Fund Balance Accounts (Material Weakness) (Resolved)

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

FS 2012-002 Stale Dated Transactions Not Cancelled (Other Matter) (Repeat/Modified)

FS 2012-003 Non Compliance with Procurement Code (Other Matter) (Repeat/Modified)

FS 2012-004 Insufficient Internal Controls related to Credit Cards (Other Matter) (Repeat/Modified)

FS 2012-005 Noncompliance with Related Parties Transactions (Other Matter) (Repeat/Modified)

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

FS 2012-007 Noncompliance with Debt Agreements (Non Compliance) (Resolved)

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

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

FS 2012-010 Incorrect Inventory Detail (Material Weakness) (Resolved)

FS 2012-011 Personal Use of City Vehicles (Other Matter) (Repeated/Modified)

STATE OF NEW MEXICO
City of Espanola
Schedule of Findings and Responses
June 30, 2013

Section III – Financial Statement Findings and Responses

FS 2000-003 Budgetary Noncompliance (Other Matter) (Repeat/Modified)

Condition: In violation of the New Mexico State statute the following funds exceeded approved budgetary authority for the year ended June 30, 2013:

| | Approved Budget | Actual Expenditures | Amount Exceeded |
|-------------------------|--------------------|------------------------|--------------------|
| Recreation | \$ - | \$ 651 | \$ 651 |
| Operation Buckle Down | 3,416 | 5,116 | 1,700 |
| COPS in Schools Grant | 35,360 | 57,146 | 21,786 |
| DWI Program Enforcement | - | 91 | 91 |
| Roads and Streets | 298,000 | 378,440 | 80,440 |
| Plaza Development | 60,000 | 69,583 | 9,583 |
| Capital Projects Grants | - | 41,971 | 41,971 |
| Infrastructure Projects | 52,694 | 1,135,510 | 1,082,816 |
| Water and Waste Water | 3,807,831 | 4,660,456 | 852,625 |
| Solid waste fund | 729,000 | 745,383 | 16,383 |

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 Late Audit Report (Other Matter) (Repeat/Modified)

Condition: The City did not submit the fiscal year 2013 financial report by the required deadline of December 1, 2013. The report was submitted by the City in February, 2016.

Criteria: Per 2.2.2.9A (1) NMAC, the City was required to submit its fiscal year 2012-13 annual financial report to the New Mexico State Auditor by December 1, 2013.

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 2010-003 Deficiencies in Internal Control Structure Design, Operation and Oversight (Significant Deficiency) (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 during FY13 had insufficient internal controls to properly identify and assess fraud risks. The City had later developed and is in the process of continuing to develop processes to identify and assess fraud risk.
- During our review of the overall entity wide controls, we noted that in FY13 some employees have the ability to perform all duties of the finance department with no other oversight by any other individual. The City subsequently remediated this deficiency by incorporating one-over-one review procedures.
- 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 is the process of developing internal audit procedures that incorporate this specific procedure.
- During fiscal year 2013 the City did not have controls in place over the financial reporting process and financial statement preparation. The City later developed internal controls to ensure financial reporting processes were timely and accurate.
- At the onset of the FY13 audit the City had approximately 2.6 million in interfund loans recorded resulting from cash deficits in individual governmental funds. An expectation of repayment terms for outstanding interfund loans had not been determined.
- During fiscal year 2013 the City did not have internal controls in place to ensure the inventory schedules are maintained accurate during the year. The City later developed internal controls to ensure supplies were appropriately safeguarded and that schedules were maintained accurately.

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.

GASB Codification 1800 paragraph .102 (a) (1) requires internal loan balances between funds to be reduced in the event repayment between the funds is not expected within a reasonable time period.

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. There were several audit adjustments recorded in fiscal year 2013 totaling \$2,316,350 to reduce internal balances not expected to be repaid within a reasonable time period.

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. Cash deficits were allowed to accumulate over time in certain funds which created material interfund receivable/payable balances between the general fund and other governmental funds.

Auditors' Recommendations: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented that requires annual review of internal loan balances. 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 2011-003 Insufficient Capital Asset Internal Controls (Other Matter) (Repeat/Modified)

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

- The City did not properly allocate depreciation totaling \$1,690,699 by function for Governmental Activities at year end June 30, 2013.

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: The net cost of each function (general government, public safety, public works, and culture and recreation) could be overstated or understated for the year ended June 30, 2013.

Cause: The City does not have a sufficient internal control system in place to properly account for capital assets by function. The City has not employed an allocation method.

Auditors' Recommendation: We 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 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 Late Submission of IPA Recommendation Form and Audit Contract (Other Matter)
(Repeat/Modified)**

Condition: The City did not submit the IPA recommendation form and audit contract to the State Auditor by the required deadline of May 15, 2013. 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 2012-002 Stale Dated Transactions Not Cancelled (Other Matter) (Repeat/Modified)

Condition: The City is in violation of state statutes regarding stale-dated checks. The City maintained 275 checks in the general fund that were dated over one year old at June 30, 2013. These checks totaled \$24,359.21.

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 (Other Matter) (Repeat/Modified)

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:

- RMCI, Inc. with expenditures totaling \$4,280,876.89
- Wilson & Company, Inc. with expenditures totaling \$150,996.97
- Aerotex, Inc. with expenditures totaling \$79,060.24

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: Poor record keeping caused the City to not be able to locate the procurement documents associated with the vendors above.

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 (Other Matter) (Repeat/Modified)

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

- In 2 out of 10 fuel logs tested, adequate supporting documentation including receipts could not be provided. The dollar amount associated with these charges totaled \$157.26
- In 2 out of 10 fuel logs tested, there were questionable charges including 2 vehicles being reported on 1 fuel log and 2 charges on the same day for the same vehicle. The dollar amounts associated with these charges totaled \$84.64
- In 6 out of 10 fuel logs tested, there was no indication of the fuel log being reviewed. The dollar amounts associated with the fuel logs totaled \$100,456.22.

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 (Other Matter) (Repeat/Modified)

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 2 instances, no quotes were obtained. The dollar amount associated with this transaction totaled 1,797.67.
- In 1 out of 2 instances, a voucher was used instead of a P.O. for an insurance claim. The dollar amount associated with this transaction totaled \$3,048.15.

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 2012-011 Personal Use of City Vehicles (Other Matter) (Repeat/Modified)

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, 2013.

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, 2013

OTHER DISCLOSURES

Exit Conference

An exit conference was held on February 29, 2016. In attendance were the following:

Representing the City of Espanola:

| | |
|--------------------|---------------------------------|
| Alice A. Lucero | Mayor |
| Pedro Valdez | Mayor Pro Tem |
| Peggy Sue Martinez | Councilor |
| John Hernandez | Councilor |
| Kelly Duran | City Manager |
| Joyce Sandoval | Administrative Service Director |
| Georgy Ann Salazar | Procurement Officer |
| Monica Varela | Accounts Payable Specialist |
| Jessica Ortiz | Financial Analyst |

Representing Accounting & Consulting Group, LLP:

| | |
|----------------------------|---------|
| Robert Cordova, CPA | Partner |
| Morgan Browning, CPA, CGFM | Manager |

Auditor Prepared Financial Statements

RPC CPAs + CONSULTANTS 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.