

**State of New Mexico**

**CITY OF ESPAÑOLA**

**Financial Statements**

**For the Year Ending June 30, 2014**



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## **INTRODUCTORY SECTION**

STATE OF NEW MEXICO

City of Espanola

Table of Contents

June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		4-5
Official Roster		7
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		10-11
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	14-15
Statement of Activities	A-2	16-17
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	18-19
Reconciliation of the Balance Sheet to the Statement of Net Position		21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	B-2	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		25
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	C-1	26
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual Municipal Service Improvements Special Revenue Fund	C-2	27
Statement of Net Position-Proprietary Funds	D-1	28
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	D-2	29
Statement of Cash Flows –Proprietary Funds	D-3	30-31
Statement of Fiduciary Assets and Liabilities – Agency Funds	E-1	33
 NOTES TO THE FINANCIAL STATEMENTS		 34-58
<b>SUPPLEMENTARY INFORMATION</b>		
	<u>Statement</u>	<u>Page</u>
Nonmajor Governmental Fund Descriptions		60-61
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	62-71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	72-81
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual Governmental Funds:		
Recreation Special Revenue Fund	B-1	82
Teen Court Special Revenue Fund	B-2	83
Operation Buckle Down Special Revenue Fund	B-3	84
COPS in Schools Grant Special Revenue Fund	B-4	85
Byrne Justice Assistance Grant Special Revenue Fund	B-5	86
Operation DWI State Grant Special Revenue Fund	B-6	87
Library Grant Special Revenue Fund	B-7	88

**STATE OF NEW MEXICO**

City of Espanola

Table of Contents

June 30, 2014

	<u>Statement/Schedule</u>	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Click It or Ticket Special Revenue Fund	B-8	89
EMS Special Revenue Fund	B-9	90
Wildland Grant Special Revenue Fund	B-10	91
Law Enforcement Technology Special Revenue Fund	B-11	92
Days and Nights of Summer Special Revenue Fund	B-12	93
DWI Program Enforcement Special Revenue Fund	B-13	94
Public Safety Grants Special Revenue Fund	B-14	95
E-911 Grant Special Revenue Fund	B-15	96
Fire Protection Special Revenue Fund	B-16	97
Roads and Streets Special Revenue Fund	B-17	98
Law Enforcement Protection Special Revenue Fund	B-18	99
Fire Discretionary Special Revenue Fund	B-19	100
Lodgers' Tax Special Revenue Fund	B-20	101
Lodgers' Tax Promotional Special Revenue Fund	B-21	102
Fiesta Council Special Revenue Fund	B-22	103
U.S. Bureau of Reclamation Special Revenue Fund	B-23	104
NMDOT Litter Control and Beautification Special Revenue Fund	B-24	105
Capital Projects Grants Capital Projects Fund	B-25	106
NM DOT Grant Capital Projects Fund	B-26	107
Federal W/WW Project Grant Capital Projects Fund	B-27	108
State Water Project Grants Capital Projects Fund	B-28	109
State Agency on Aging Grants Capital Projects Fund	B-29	110
GRT Asset Replacement Capital Projects Fund	B-30	111
NMFA Debt Service Fund	B-31	112
Trust Service Fund Debt Service Fund	B-32	113
NMFA PPR Equipment Project Loan Debt Service Fund	B-33	114
USDA Loan / Police Department Debt Service Fund	B-34	115
Infrastructure Projects Capital Projects Fund	B-35	116
2002 Bond Debt Service Fund	B-36	117
 Budget (GAAP Budgetary Basis) and Actual –Proprietary Funds		
Water and Wastewater	B-37	118
Solid Waste	B-38	119
	 <u>Schedule</u>	 <u>Page</u>
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposit and Investment Accounts	I	122-123
Schedule of Collateral Pledged by Depository for Public Funds	II	125
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	III	126-127
 <b>COMPLIANCE SECTION</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		130-131
Schedule of Findings and Responses	IV	132-143
 <b>OTHER DISCLOSURES</b>		144

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**STATE OF NEW MEXICO**

City of Espanola

Official Roster

June 30, 2014

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Alice A. Lucero		Mayor
Pedro Valdez		Mayor Pro Tem
Dennis Tim Salazar		District 1 Councilor
Michelle R. Martinez		District 2 Councilor
Peggy Sue Martinez		District 2 Councilor
John Hernandez		District 3 Councilor
Eric Radosevich		District 3 Councilor
Cory Lewis		District 4 Councilor
Adrianna Ortiz		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, 2014, 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 fund, 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, 2014, 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, 2014, 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, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the proprietary funds, major capital projects fund, 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 March 31, 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*

RPC CPAs + CONSULTANTS, LLP  
Albuquerque, NM  
March 31, 2016

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Espanola

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash, investments and cash equivalents	\$ 8,319,484	\$ 517,308	\$ 8,836,792
Other investments	170,000	58,929	228,929
Receivables:			
Property taxes	503,595	-	503,595
Other receivables	1,974,087	38,620	2,012,707
Customer receivables, net	-	626,709	626,709
Internal balances	54,057	(54,057)	-
Total current assets	11,021,223	1,187,509	12,208,732
Noncurrent assets			
Restricted cash and cash equivalents	1,864,397	471,904	2,336,301
Capital assets	34,184,280	16,395,898	50,580,178
Less: accumulated depreciation	(18,806,732)	(5,778,347)	(24,585,079)
Total noncurrent assets	17,241,945	11,089,455	28,331,400
Total assets	\$ 28,263,168	\$ 12,276,964	\$ 40,540,132

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 412,017	\$ 54,479	\$ 466,496
Accrued payroll	663,285	32,154	695,439
Accrued compensated absences	246,495	39,940	286,435
Accrued interest payable	100,736	74,549	175,285
Bonds payable	13,200	17,549	30,749
Loans and notes payable	792,090	609,680	1,401,770
Total current liabilities	<u>2,227,823</u>	<u>828,351</u>	<u>3,056,174</u>
Noncurrent liabilities			
Accrued compensated absences	521,523	47,988	569,511
Accrued landfill closure costs	-	571,159	571,159
Bonds payable	43,000	719,952	762,952
Loans and notes payable	8,582,460	5,627,068	14,209,528
Total noncurrent liabilities	<u>9,146,983</u>	<u>6,966,167</u>	<u>16,113,150</u>
Total liabilities	<u>11,374,806</u>	<u>7,794,518</u>	<u>19,169,324</u>
<b>Net position</b>			
Net investment in capital assets	5,946,798	3,643,302	9,590,100
Restricted for:			
Debt service	2,391,166	471,904	2,863,070
Capital projects	2,311,620	-	2,311,620
Special revenue	2,125,756	-	2,125,756
Unrestricted	4,113,022	367,240	4,480,262
Total net position	<u>16,888,362</u>	<u>4,482,446</u>	<u>21,370,808</u>
Total liabilities and net position	<u>\$ 28,263,168</u>	<u>\$ 12,276,964</u>	<u>\$ 40,540,132</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 4,135,036	\$ 384,948	\$ -	\$ -
Public safety	5,217,676	-	783,683	-
Public works	2,544,576	2,620	331,612	81,876
Culture and recreation	1,017,908	9,645	170,823	-
Interest on long-term debt	376,412	-	-	-
<i>Total governmental activities</i>	<u>13,291,608</u>	<u>397,213</u>	<u>1,286,118</u>	<u>81,876</u>
<b>Business-type Activities:</b>				
Water and wastewater	3,096,937	4,617,177	-	-
Solid waste	860,411	538,081	-	-
<i>Total business-type activities</i>	<u>3,957,348</u>	<u>5,155,258</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 17,248,956</u>	<u>\$ 5,552,471</u>	<u>\$ 1,286,118</u>	<u>\$ 81,876</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  
Miscellaneous income  
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

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>
\$ (3,750,088)	\$ -	\$ (3,750,088)
(4,433,993)	-	(4,433,993)
(2,128,468)	-	(2,128,468)
(837,440)	-	(837,440)
(376,412)	-	(376,412)
<u>(11,526,401)</u>	<u>-</u>	<u>(11,526,401)</u>
-	1,520,240	1,520,240
-	(322,330)	(322,330)
-	1,197,910	1,197,910
<u>(11,526,401)</u>	<u>1,197,910</u>	<u>(10,328,491)</u>
671,459	-	671,459
8,702,070	160,665	8,862,735
408,710	-	408,710
310,045	-	310,045
26,563	-	26,563
19,616	5,139	24,755
66,424	-	66,424
92,554	-	92,554
744,683	(744,683)	-
<u>11,042,124</u>	<u>(578,879)</u>	<u>10,463,245</u>
<u>(484,277)</u>	<u>619,031</u>	<u>134,754</u>
<u>17,372,639</u>	<u>3,863,415</u>	<u>21,236,054</u>
<u>\$ 16,888,362</u>	<u>\$ 4,482,446</u>	<u>\$ 21,370,808</u>

**STATE OF NEW MEXICO**

City of Espanola  
Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General Fund</u>	<u>Municipal Service Improvements</u>	<u>Infrastructure Projects</u>
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ 3,831,485	\$ 1,484,748	\$ 1,766,223
Other investments	170,000	-	-
Receivables:			
Property taxes	503,595	-	-
Other receivables	1,231,136	113,260	172,713
Due from other funds	228,737	-	-
<i>Total assets</i>	<u>\$ 5,964,953</u>	<u>\$ 1,598,008</u>	<u>\$ 1,938,936</u>
<i>Liabilities</i>			
Accounts payable	\$ 341,035	\$ 20,393	\$ 23,254
Accrued payroll	642,142	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>983,177</u>	<u>20,393</u>	<u>23,254</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue- property taxes	473,685	-	-
<i>Total deferred inflows of resources</i>	<u>473,685</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal service improvements	-	1,577,615	-
Recreation	-	-	-
Fire departments	-	-	-
Tourism	-	-	-
Public safety	-	-	-
Capital projects expenditures	-	-	1,915,682
Debt service expenditures	-	-	-
Committed for:			
Minimum fund balance	883,497	-	-
Unassigned	3,624,595	-	-
<i>Total fund balances</i>	<u>4,508,091</u>	<u>1,577,615</u>	<u>1,915,682</u>
<i>Total liabilities and fund balances</i>	<u>\$ 5,964,953</u>	<u>\$ 1,598,008</u>	<u>\$ 1,938,936</u>

The accompanying notes are an integral part of these financial statements

2002 Bond Debt Service	Other Governmental Funds	Total
\$ 1,751,455	\$ 1,349,970	\$ 10,183,881
-	-	170,000
-	-	503,595
-	456,978	1,974,087
-	-	228,737
<u>\$ 1,751,455</u>	<u>\$ 1,806,948</u>	<u>\$ 13,060,300</u>
\$ -	\$ 27,335	\$ 412,017
-	21,143	663,285
-	174,680	174,680
<u>-</u>	<u>223,158</u>	<u>1,249,982</u>
<u>-</u>	<u>-</u>	<u>473,685</u>
<u>-</u>	<u>-</u>	<u>473,685</u>
-	-	1,577,615
-	15,824	15,824
-	113,717	113,717
-	87,862	87,862
-	330,738	330,738
-	395,938	2,311,620
1,751,455	639,711	2,391,166
-	-	883,497
-	-	3,624,595
<u>1,751,455</u>	<u>1,583,790</u>	<u>11,336,633</u>
<u>\$ 1,751,455</u>	<u>\$ 1,806,948</u>	<u>\$ 13,060,300</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, 2014

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	\$	11,336,633
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		15,377,548
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		473,685
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(100,736)
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		(768,018)
Current and noncurrent portions of bonds payable		(56,200)
Current and noncurrent portions of loans and notes payable		(9,374,550)
		(9,374,550)
Total net position of governmental activities	\$	16,888,362

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, 2014

	<u>General Fund</u>	<u>Municipal Service Improvements</u>	<u>Infrastructure Projects</u>
<i>Revenues</i>			
Taxes			
Property	\$ 643,309	\$ -	\$ -
Gross receipts	6,752,607	-	962,681
Gasoline and motor vehicle taxes	102,312	-	-
Other	310,045	-	-
Intergovernmental income			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	644,257	-
State capital grants	-	-	-
Charges for services	384,948	-	-
Investment income	10,755	-	-
Rental income	66,424	-	-
Miscellaneous	50,275	-	-
<i>Total revenues</i>	<u>8,320,675</u>	<u>644,257</u>	<u>962,681</u>
<i>Expenditures</i>			
Current			
General government	3,136,931	-	-
Public safety	3,833,308	-	-
Public works	932,574	334,099	173,484
Culture and recreation	906,202	-	-
Capital outlay	41,195	133,839	86,445
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>8,850,210</u>	<u>467,938</u>	<u>259,929</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(529,535)</u>	<u>176,319</u>	<u>702,752</u>
<i>Other financing sources (uses)</i>			
Transfers in	607,838	-	-
Transfers out	(686,268)	-	(601,259)
<i>Total other financing sources (uses)</i>	<u>(78,430)</u>	<u>-</u>	<u>(601,259)</u>
<i>Net change in fund balances</i>	(607,965)	176,319	101,493
<i>Fund balance - beginning of year</i>	<u>5,116,056</u>	<u>1,401,296</u>	<u>1,814,189</u>
<i>Fund balance - end of year</i>	<u>\$ 4,508,091</u>	<u>\$ 1,577,615</u>	<u>\$ 1,915,682</u>

The accompanying notes are an integral part of these financial statements

2002 Bond Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 643,309
-	986,782	8,702,070
-	306,398	408,710
-	26,563	336,608
-	207,274	207,274
-	57,207	57,207
-	434,587	1,078,844
-	24,669	24,669
-	12,265	397,213
3,468	5,393	19,616
-	-	66,424
-	42,279	92,554
<u>3,468</u>	<u>2,103,417</u>	<u>12,034,498</u>
-	-	3,136,931
-	1,384,368	5,217,676
-	1,104,419	2,544,576
-	111,706	1,017,908
-	52,000	313,479
395,000	385,988	780,988
265,462	117,934	383,396
<u>660,462</u>	<u>3,156,415</u>	<u>13,394,954</u>
<u>(656,994)</u>	<u>(1,052,998)</u>	<u>(1,360,456)</u>
660,462	858,662	2,126,962
-	(94,752)	(1,382,279)
<u>660,462</u>	<u>763,910</u>	<u>744,683</u>
3,468	(289,088)	(615,773)
<u>1,747,987</u>	<u>1,872,878</u>	<u>11,952,406</u>
<u>\$ 1,751,455</u>	<u>\$ 1,583,790</u>	<u>\$ 11,336,633</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, 2014

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	\$ (615,773)
--	--------------

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	313,479
Depreciation expense	(871,238)

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	28,150
--	--------

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	6,984
Increase in accrued compensated absences	(126,867)
Principal payments on bonds, notes, and loans payable	<u>780,988</u>

Change in net position of governmental activities	<u><u>\$ (484,277)</u></u>
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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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non- GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
<i>Taxes</i>				
Property taxes	\$ 588,840	\$ 588,840	\$ 628,132	\$ 39,292
Gross receipts	7,574,717	7,587,264	6,728,155	(859,109)
Gas and motor vehicle	90,986	90,986	99,962	8,976
Other	295,967	295,967	310,045	14,078
<i>Intergovernmental income</i>				
Charges for services	140,932	32,803	30,054	(2,749)
Licenses and fees	416,630	492,962	354,894	(138,068)
Investment income	24,616	24,616	16,111	(8,505)
Rental income	74,114	74,114	66,424	(7,690)
Miscellaneous	603,153	9,600	58,799	49,199
<i>Total revenues</i>	<u>9,809,955</u>	<u>9,197,152</u>	<u>8,292,576</u>	<u>(904,576)</u>
<i>Expenditures</i>				
<i>Current</i>				
General government	3,456,376	3,665,972	3,115,315	550,657
Public safety	4,418,856	4,418,856	3,850,212	568,644
Public works	1,004,979	1,004,979	928,575	76,404
Culture and recreation	1,041,154	1,041,154	871,256	169,898
Capital outlay	600	600	67,201	(66,601)
Debt service				
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,921,965</u>	<u>10,131,561</u>	<u>8,832,559</u>	<u>1,299,002</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(112,010)</u>	<u>(934,409)</u>	<u>(539,983)</u>	<u>394,426</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,000	769,712	-	(769,712)
Transfers in	587,077	641,764	607,838	(33,926)
Transfers out	(477,067)	(477,067)	(686,268)	(209,201)
<i>Total other financing sources (uses)</i>	<u>112,010</u>	<u>934,409</u>	<u>(78,430)</u>	<u>(1,012,839)</u>
<i>Net change in fund balance</i>	-	-	(618,413)	(618,413)
<i>Fund balance - beginning of year</i>	-	-	4,848,635	4,848,635
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,230,222</u>	<u>\$ 4,230,222</u>
Net change in fund balance (Non-GAAP basis)				\$ (618,413)
Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income				28,099
Adjustments to expenditures for salaries, professional services, and supplies				(17,651)
Net change in fund balance (GAAP basis)				<u>\$ (607,965)</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, 2014

	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	831,082	711,082	642,917	(68,165)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>831,082</u>	<u>711,082</u>	<u>642,917</u>	<u>(68,165)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	711,048	931,082	459,165	471,917
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>711,048</u>	<u>931,082</u>	<u>459,165</u>	<u>471,917</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>120,034</u>	<u>(220,000)</u>	<u>183,752</u>	<u>403,752</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(120,034)	220,000	-	(220,000)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(120,034)</u>	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
<i>Net change in fund balance</i>	-	-	183,752	183,752
<i>Fund balance - beginning of year</i>	-	-	1,300,996	1,300,996
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,748</u>	<u>\$ 1,484,748</u>
Net change in fund balance (Non-GAAP basis)				\$ 183,752
Adjustments to revenues state grants				1,340
Adjustments to expenditures for professional services				(8,773)
Net change in fund balance (GAAP basis)				<u>\$ 176,319</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, 2014

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash, investments, and cash equivalents	\$ 517,308	\$ -	\$ 517,308
Other investments	58,929	-	58,929
Other receivables	9,789	28,831	38,620
Customer receivables, net	503,874	122,835	626,709
<i>Total current assets</i>	<u>1,089,900</u>	<u>151,666</u>	<u>1,241,566</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	471,904	-	471,904
Capital assets	16,395,898	-	16,395,898
Less: accumulated depreciation	(5,778,347)	-	(5,778,347)
<i>Total noncurrent assets</i>	<u>11,089,455</u>	<u>-</u>	<u>11,089,455</u>
<i>Total assets</i>	<u>\$ 12,179,355</u>	<u>\$ 151,666</u>	<u>\$ 12,331,021</u>
<i>Liabilities and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 54,479	\$ -	\$ 54,479
Accrued payroll	32,154	-	32,154
Accrued compensated absences	39,940	-	39,940
Interfund payable	-	54,057	54,057
Accrued interest payable	74,549	-	74,549
Current portion of bonds payable	17,549	-	17,549
Current portion of loans and notes payable	609,680	-	609,680
<i>Total current liabilities</i>	<u>828,351</u>	<u>54,057</u>	<u>882,408</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	47,988	-	47,988
Accrued landfill closure costs	-	571,159	571,159
Bonds payable	719,952	-	719,952
Loans payable	5,627,068	-	5,627,068
<i>Total noncurrent liabilities</i>	<u>6,395,008</u>	<u>571,159</u>	<u>6,966,167</u>
<i>Total liabilities</i>	<u>7,223,359</u>	<u>625,216</u>	<u>7,848,575</u>
<i>Net position</i>			
Net investment in capital assets	3,643,302	-	3,643,302
Restricted for:			
Debt service	471,904	-	471,904
Unrestricted	840,790	(473,550)	367,240
<i>Total net position</i>	<u>4,955,996</u>	<u>(473,550)</u>	<u>4,482,446</u>
<i>Total liabilities and net position</i>	<u>\$ 12,179,355</u>	<u>\$ 151,666</u>	<u>\$ 12,331,021</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-2

City of Espanola  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues</i>			
Charges for services net of allowances of \$44,940 and \$11,011 respectively	\$ 4,617,177	\$ 538,081	\$ 5,155,258
<i>Total operating revenues</i>	<u>4,617,177</u>	<u>538,081</u>	<u>5,155,258</u>
<i>Operating expenses</i>			
Payroll and benefits	1,234,350	-	1,234,350
Contractual services	216,723	687,333	904,056
Supplies and services	515,603	173,078	688,681
Repairs and maintenance	183,668	-	183,668
Utilities	403,994	-	403,994
Depreciation	379,487	-	379,487
<i>Total operating expenses</i>	<u>2,933,825</u>	<u>860,411</u>	<u>3,794,236</u>
<i>Operating income (loss)</i>	<u>1,683,352</u>	<u>(322,330)</u>	<u>1,361,022</u>
<i>Non-operating revenues (expenses)</i>			
Gross receipts taxes	-	160,665	160,665
Interest expense	(163,112)	-	(163,112)
Investment income	5,139	-	5,139
<i>Total non-operating revenues (expenses)</i>	<u>(157,973)</u>	<u>160,665</u>	<u>2,692</u>
<i>Income before contributions and transfers</i>	1,525,379	(161,665)	1,363,714
Transfers in	533,780	-	533,780
Transfers out	(1,217,163)	(61,300)	(1,278,463)
<i>Change in net position</i>	<u>841,996</u>	<u>(222,965)</u>	<u>619,031</u>
<i>Net position- beginning of year</i>	<u>4,114,000</u>	<u>(250,585)</u>	<u>3,863,415</u>
<i>Net position- end of year</i>	<u>\$ 4,955,996</u>	<u>\$ (473,550)</u>	<u>\$ 4,482,446</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, 2014

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Total
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 5,205,820	\$ 681,636	\$ 5,887,456
Cash payments to employees for services	(1,215,590)	-	(1,215,590)
Cash payments to suppliers for goods and services	(1,329,930)	(890,472)	(2,220,402)
<i>Net cash provided (used) by operating activities</i>	<u>2,660,300</u>	<u>(208,836)</u>	<u>2,451,464</u>
<i>Cash flows from noncapital financing activities</i>			
Gross receipts taxes	-	160,412	160,412
Interfund transfers (net)	(683,383)	(61,300)	(744,683)
Interfund loans (repaid) received	(641,560)	54,057	(587,503)
<i>Net cash (used) provided by noncapital financing activities</i>	<u>(1,324,943)</u>	<u>153,169</u>	<u>(1,171,774)</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition of capital assets	(94,500)	-	(94,500)
Interest paid	(167,695)	-	(167,695)
Principal payments on bonds and loans	(615,745)	-	(615,745)
<i>Net cash (used) by capital and related financing activities</i>	<u>(877,940)</u>	<u>-</u>	<u>(877,940)</u>
<i>Cash flows from investing activities</i>			
Investment income	5,139	-	5,139
<i>Net cash provided by investing activities</i>	<u>5,139</u>	<u>-</u>	<u>5,139</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	462,556	(55,667)	406,889
<i>Cash and cash equivalents - beginning of year</i>	<u>526,656</u>	<u>55,667</u>	<u>582,323</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 989,212</u>	<u>\$ -</u>	<u>\$ 989,212</u>
<i>Per Exhibit D-1</i>			
Cash, investments, and cash equivalents	\$ 517,308	\$ -	\$ 517,308
Restricted cash and cash equivalents	471,904	-	471,904
Total	<u>\$ 989,212</u>	<u>\$ -</u>	<u>\$ 989,212</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, 2014

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 1,683,352	\$ (322,330)	\$ 1,361,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	379,487	-	379,487
Noncash reduction in accrued landfill liability	-	(30,061)	(30,061)
Changes in assets and liabilities			
Receivables	588,643	143,555	732,198
Accounts payable	(9,942)	-	(9,942)
Accrued payroll	9,579	-	9,579
Compensated absences	9,181	-	9,181
<i>Net cash provided (used) by operating activities</i>	<u>\$ 2,660,300</u>	<u>\$ (208,836)</u>	<u>\$ 2,451,464</u>

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**STATE OF NEW MEXICO**  
City of Espanola  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2014

Exhibit E-1

<i>Assets</i>	
Cash	\$ 304,402
Investments	43,000
Accounts receivable	<u>12,675</u>
 Total assets	 <u><u>\$ 360,077</u></u>
 <i>Liabilities</i>	
Deposits payable	\$ 73,161
Accounts payable	1,849
Due to other entities	<u>285,067</u>
 Total liabilities	 <u><u>\$ 360,077</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, 2014

**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, 2014, the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 ("GASB 65") established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing GASB Statement No. 65, the City classified the unavailable portion of property taxes receivable as a deferred inflow as of June 30, 2014 instead of reporting the amount as a liability as in previous fiscal years.

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.

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.

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**A. *Financial Reporting Entity (continued)***

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, 2014

**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, 2014

**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 *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 *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, 2014

**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, 2014

**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.

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, 2014

**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

**Unavailable 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 inflow in the governmental funds balance sheet. The uncollected portion of property taxes receivables as of June 30, 2014 totaled \$473,685

**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, 2014

**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, 2014, the City did not have any fund balances in nonspendable form.

**Restricted and Committed Fund Balance:** At June 30, 2014, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$6,828,542 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 \$883,497. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 18-19.

**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, 2014 for the City is \$883,497.

**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 37 and 60-61.
- 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, 2014

**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, 2014.

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, 2014

**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, 2014, \$7,698,717 of the City’s bank balance of \$8,198,717 was subject to custodial credit risk. \$7,698,717 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, 2014.

	Valley National Bank
Amount of deposits	\$ 8,198,717
FDIC Coverage	(500,000)
Total uninsured public funds	7,698,717
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	
	7,698,717
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	
	\$ 3,849,359
Pledged Collateral	7,915,420
Over (Under) collateralized	\$ 4,066,061

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, 2014

**NOTE 3. Deposits and Investments (continued)**

Cash, investments, and	
cash equivalents per Exhibit A-1	\$ 8,836,792
Other investments per Exhibit A-1	228,929
Restricted cash and cash equivalents per Exhibit A-1	2,336,301
Agency funds cash and investments per Exhibit E-1	347,402
Plus outstanding checks	586,794
Less deposits in transit and adjustments	(32,524)
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	(471,897)
Less U.S. Treasury Money Market Mutual Funds held with NMFA	(1,864,404)
Less petty cash	<u>(470)</u>
Bank balance of deposits	<u><u>\$ 8,198,717</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, 2014, 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, 2014

**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, 2014. Each fund reports its share of the pooled cash and investments at June 30, 2015; 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, 2014 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, 2014 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	471,897
U.S. Treasury Money Market Mutual Funds held with NMFA	Aaa **	<90 Days	1,864,404
			<u>\$ 6,876,436</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, 2014

**NOTE 4. Receivables**

Receivables as of June 30, 2014, are as follows:

<b>Governmental Activities:</b>	<u>General</u>	<u>Municipal Service Improvements</u>	<u>Infrastructure Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes receivable	\$ 503,595	\$ -	\$ -	\$ -	\$ 503,595
Other receivable:					
Gross receipts	1,213,668	-	172,713	246,696	1,633,077
Gasoline and motor vehicle	17,468	-	-	27,902	45,370
Intergovernmental:					
Federal grants	-	-	-	157,764	157,764
State grants	-	113,260	-	24,616	137,876
 Total receivables	 <u>\$1,734,731</u>	 <u>\$ 113,260</u>	 <u>\$ 172,713</u>	 <u>\$ 456,978</u>	 <u>\$ 2,477,682</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, 2014 was \$473,685.

<b>Business-type Activities:</b>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Customer receivables	\$1,170,110	\$ 285,250	\$ 1,455,360
Other receivables:			
Gross receipts taxes	-	28,831	28,831
Nonsufficient funds	9,789	-	9,789
Total gross receivables	<u>1,179,899</u>	<u>314,081</u>	<u>1,493,980</u>
Less: allowance for doubtful accounts	<u>(666,236)</u>	<u>(162,415)</u>	<u>(828,651)</u>
Total net receivables	<u>\$ 513,663</u>	<u>\$ 151,666</u>	<u>\$ 665,329</u>

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

<b>Fiduciary:</b>	<u>Fiduciary Funds</u>
AOC- Reimbursements	\$ 12,193
Accrued interest	<u>482</u>
 Total net receivables	 <u>\$ 12,675</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**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	Capital projects grants	\$ 127,636
General Fund	Operation Buckle Down	350
General Fund	Operation DWI	6,250
General Fund	Click it or Ticket	118
General Fund	Days & Nights of Summer	979
General Fund	DWI Program Enforcement	96
General Fund	Roads and Streets	56,911
General Fund	State Agency on Aging	466
General Fund	2002 Bond Debt Service	314,343
General Fund	NMFA Debt Service	40,454
General Fund	NMFA PPR Equipment Project Loan	9,101
General Fund	USDA Loan / Police Department	155
General Fund	NMFA PPR Equipment Project Loan	129,409
Infrastructure Projects	GRT Asset Replacemtn	94,368
Infrastructure Projects	Water and Wastewater	42,325
Infrastructure Projects	Water and Wastewater	89,165
Infrastructure Projects	Water and Wastewater	375,401
Lodger's Tax	General Fund	4,923
Lodger's Tax	Lodger's Promotional	19,285
Lodger's Tax	Plaza Development	12,000
Lodger's Tax	Water and Wastewater	13,300
NMFA Debt Service fund Fund	Water and Wastewater	13,589
Solidwaste	General Fund	61,300
E911 Fund	General Fund	9,334
Byrne Justice Assistance Grant	General Fund	6,761
Law Enforcement Protection	USDA Loan / Police Department	15,560
Water and Wastewater	General Fund	299,200
Water and Wastewater	General Fund	214,320
Water and Wastewater	2002 Bond Debt Service	203,858
Water and Wastewater	2002 Bond Debt Service	142,261
Water and Wastewater	NMFA Debt Service	98,646
Water and Wastewater	NMFA PPR Equipment Project Loan	129,439
Water and Wastewater	NMFA PPR Equipment Project Loan	129,439
	Total	<u>\$ 2,660,742</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**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, 2014 is as follows:

	<b>Due to</b>	<b>Due from</b>
General Fund	\$ 228,737	\$ -
Byre Justice Assistance Grant	-	9,057
Library Grant	-	4,060
NMDOT Litter Control and Beautification	-	12,856
Federal W/WW Project Grant	-	148,707
Solid Waste	-	54,057
	<b>\$ 228,737</b>	<b>\$ 228,737</b>

All interfund loans 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, 2014

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land, Historical Works of Art, and construction in progress are not subject to depreciation.

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,233,471	\$ -	\$ -	\$ 4,233,471
Historical Works of Art	27,700	-	-	27,700
<b>Total capital assets not being depreciated</b>	<b>4,261,171</b>	<b>-</b>	<b>-</b>	<b>4,261,171</b>
Capital assets being depreciated:				
Buildings and improvements	19,913,800	-	-	19,913,800
Infrastructure	4,767,442	86,444	-	4,853,886
Vehicles, furniture and equipment	4,928,388	227,035	-	5,155,423
<b>Total capital assets being depreciated</b>	<b>29,609,630</b>	<b>313,479</b>	<b>-</b>	<b>29,923,109</b>
Less accumulated depreciation:				
Buildings and improvements	10,316,194	427,657		10,743,851
Infrastructure	3,955,224	139,587		4,094,811
Vehicles, furniture and equipment	3,664,076	303,994		3,968,070
<b>Total accumulated depreciation</b>	<b>17,935,494</b>	<b>871,238</b>	<b>-</b>	<b>18,806,732</b>
<b>Total capital assets, net of depreciation</b>	<b>\$ 15,935,307</b>	<b>\$ (557,759)</b>	<b>\$ -</b>	<b>\$ 15,377,548</b>

Depreciation expense for the year ended June 30, 2014 was \$871,238 was allocated to general government.

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Capital Assets (continued)**

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	9,858,769	-	-	9,858,769
Infrastructure	5,492,166	-	-	5,492,166
Vehicles, furniture and equipment	950,463	94,500	-	1,044,963
	<u>16,301,398</u>	<u>94,500</u>	<u>-</u>	<u>16,395,898</u>
Total capital assets being depreciated	<u>16,301,398</u>	<u>94,500</u>	<u>-</u>	<u>16,395,898</u>
Less accumulated depreciation:				
Buildings and improvements	2,788,625	236,566	-	3,025,191
Infrastructure	1,919,568	100,040	-	2,019,608
Vehicles, furniture and equipment	690,667	42,881	-	733,548
	<u>5,398,860</u>	<u>379,487</u>	<u>-</u>	<u>5,778,347</u>
Total accumulated depreciation	<u>5,398,860</u>	<u>379,487</u>	<u>-</u>	<u>5,778,347</u>
Total capital assets, net of depreciation	<u>\$ 10,902,538</u>	<u>\$ (284,987)</u>	<u>\$ -</u>	<u>\$ 10,617,551</u>

Depreciation expense totaling \$379,487 was charged to water and wastewater fund for fiscal year ending June 30, 2014.

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
NMFA Loans	\$ 9,877,364	\$ -	\$ 719,265	\$ 9,158,099	\$ 741,111
Law Enforcement Bonds	68,900	-	12,700	56,200	13,200
Capital Lease	265,474	-	49,023	216,451	50,979
Compensated Absences	641,151	373,362	246,495	768,018	246,495
<b>Total Long-Term Debt</b>	<b>\$ 10,852,889</b>	<b>\$ 373,362</b>	<b>\$ 1,027,483</b>	<b>\$ 10,198,768</b>	<b>\$ 1,051,785</b>

**Revenue Bonds**

At June 30, 2014, 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:

<b>Revenue Bonds</b> 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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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
	<b>\$ 56,200</b>	<b>\$ 6,280</b>	<b>\$ 62,480</b>

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	710,000	233,297	943,297
2019-2024	4,000,000	743,724	4,743,724
2025-2027	1,426,097	65,699	1,491,796
	<u>\$ 9,158,099</u>	<u>\$ 2,232,617</u>	<u>\$ 11,390,716</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>
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>\$ 216,451</u>	<u>\$ 22,013</u>	<u>\$ 238,464</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, 2014, compensated absences increased by \$126,867 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, 2014

**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, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
NMFA Loans	\$ 563,262	\$ -	\$ 99,715	\$ 463,547	\$ 100,363
RUS Loans	754,200		16,699	737,501	17,549
NMED Loans	6,272,532	-	499,331	5,773,201	509,317
Landfill Closure Liability	601,220	-	30,061	571,159	-
Compensated Absences	78,747	49,121	39,940	87,928	39,940
<b>Total Long-Term Debt</b>	<b>\$ 8,269,961</b>	<b>\$ 49,121</b>	<b>\$ 685,746</b>	<b>\$ 7,633,336</b>	<b>\$ 667,169</b>

**Revenue Bonds**

At June 30, 2014, 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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	21,408	33,627	55,035
2020-2024	124,557	150,618	275,175
2025-2029	159,690	115,485	275,175
2030-2034	204,731	70,444	275,175
2035-2037	151,369	13,736	165,105
	<b>\$ 737,501</b>	<b>\$ 528,304</b>	<b>\$ 1,265,805</b>

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	315,144	73,848	388,992
2020-2024	1,669,249	275,715	1,944,964
2025-2029	1,836,892	108,073	1,944,965
	<u>\$ 6,236,748</u>	<u>\$ 863,170</u>	<u>\$ 7,099,918</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, 2014, compensated absences increased by \$9,181 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, 2014, 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, 2014

**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, 2014:

<b>Enterprise fund</b>	
Solid waste	\$ <u>(473,550)</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, 2014:

	Approved Budget	Actual Expenditures	Amount Exceeded
Operation Buckle Down	\$ 854	\$ 1,899	\$ 1,045
Operation DWI State Grant	3,604	16,291	12,687
Library Grant	6,853	50,324	43,471
Click it or Ticket	-	118	118
DWI Program Enforcement	-	96	96
Lodgers' Tax	-	2,040	2,040
Capital Projects Grants	553,956	675,665	121,709
Federal W/WW Project Grant	-	57,207	57,207
State Agency on Aging Grants	-	466	466
Solid Waste Fund	729,000	860,411	131,411

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, 2014.

**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, 2014, 2013, and 2012 were \$596,028, \$556,418, and \$627,656, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

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

*Plan Description.* The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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, 2014, 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, 2014, 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, 2014, 2013, and 2012 were \$106,237, \$99,039 and \$95,580 respectively which equal the required contributions for each year.



**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**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, 2014.

**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 \$571,159 as of June 30, 2014. 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.

**NOTE 15. Construction and Other Significant Commitments**

The City has ongoing infrastructure maintenance related contracts that were not completed at June 30, 2014. It was not possible to specifically identify the contracts and amounts committed for the projects as of June 30, 2014.

**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 amount is included as an accounts payable at June 30, 2014.

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is March 31, 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 \$7,300,446 of restricted net position all of which is restricted by enabling legislation. See pages 37 and 60-61 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

**STATE OF NEW MEXICO**  
City of Espanola  
Notes to the Financial Statements  
June 30, 2014

**NOTE 19. Subsequent Pronouncements**

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 and expects this to materially impact its financial statements.

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.

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.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Espanola  
Nonmajor Governmental Fund Descriptions  
June 30, 2014

**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.

**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.

**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 Grants** – 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, 2014

**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**

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

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

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

**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.

**Proprietary Funds**

**Water and Wastewater** – To account for the water and wastewater operations 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, 2014

	Special Revenue		
	Recreation	Teen Court	Operation Buckle Down
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ 584	\$ 16,311	\$ -
Other receivables	-	-	-
<i>Total assets</i>	\$ 584	\$ 16,311	\$ -
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	63	-
Due to other funds	-	-	-
<i>Total liabilities</i>	-	63	-
<i>Fund balances</i>			
Spendable			
Restricted for:			
Recreation	584	-	-
Fire departments	-	-	-
Tourism	-	-	-
Public safety	-	16,248	-
Capital projects expenditures	-	-	-
Debt service expenditures	-	-	-
<i>Total fund balances</i>	584	16,248	-
<i>Total liabilities and fund balances</i>	\$ 584	\$ 16,311	\$ -

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>COPS in Schools Grant</u>	<u>Byrne Justice Assistance Grant</u>	<u>Operation DWI State Grant</u>	<u>Library Grant</u>	<u>Click It or Ticket</u>
\$ -	\$ -	\$ -	\$ -	\$ -
906	9,057	-	10,666	-
<u>\$ 906</u>	<u>\$ 9,057</u>	<u>\$ -</u>	<u>\$ 10,666</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 6,606	\$ -
906	-	-	-	-
-	9,057	-	4,060	-
<u>906</u>	<u>9,057</u>	<u>-</u>	<u>10,666</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 906</u>	<u>\$ 9,057</u>	<u>\$ -</u>	<u>\$ 10,666</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue		
	EMS	Wildland Grant	Law Enforcement Technology
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ 10,966	\$ 29,915	\$ -
Other receivables	-	-	-
<i>Total assets</i>	<u>\$ 10,966</u>	<u>\$ 29,915</u>	<u>\$ -</u>
<i>Liabilities</i>			
Accounts payable	\$ 910	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>910</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Recreation	-	-	-
Fire departments	-	-	-
Tourism	-	29,915	-
Public safety	10,056	-	-
Capital projects expenditures	-	-	-
Debt service expenditures	-	-	-
<i>Total fund balances</i>	<u>10,056</u>	<u>29,915</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 10,966</u>	<u>\$ 29,915</u>	<u>\$ -</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>
\$ -	\$ -	\$ 4,917	\$ 39,896	\$ 123,376
40	-	-	246,696	-
<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 4,917</u>	<u>\$ 286,592</u>	<u>\$ 123,376</u>
\$ -	\$ -	\$ -	\$ 5,887	\$ 9,659
40	-	-	20,134	-
-	-	-	-	-
40	-	-	26,021	9,659
-	-	-	-	-
-	-	-	-	113,717
-	-	4,917	260,571	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>4,917</u>	<u>260,571</u>	<u>113,717</u>
<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 4,917</u>	<u>\$ 286,592</u>	<u>\$ 123,376</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue		
	Roads and Streets	Law Enforcement Protection	Fire Discretionary
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ -	\$ 25,488	\$ 13,458
Other receivables	27,902	-	-
<i>Total assets</i>	<u>\$ 27,902</u>	<u>\$ 25,488</u>	<u>\$ 13,458</u>
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Recreation	-	-	-
Fire departments	-	-	-
Tourism	-	-	-
Public safety	-	25,488	13,458
Capital projects expenditures	27,902	-	-
Debt service expenditures	-	-	-
<i>Total fund balances</i>	<u>27,902</u>	<u>25,488</u>	<u>13,458</u>
<i>Total liabilities and fund balances</i>	<u>\$ 27,902</u>	<u>\$ 25,488</u>	<u>\$ 13,458</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				
Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation	NMDOT Litter Control and Beautification
\$ 1,284	\$ 60,663	\$ 15,365	\$ 38,857	\$ -
-	-	-	-	13,004
<u>\$ 1,284</u>	<u>\$ 60,663</u>	<u>\$ 15,365</u>	<u>\$ 38,857</u>	<u>\$ 13,004</u>
\$ -	\$ 4,000	\$ 125	\$ -	\$ 148
-	-	-	-	-
-	-	-	-	12,856
-	4,000	125	-	13,004
-	-	15,240	-	-
-	-	-	-	-
1,284	56,663	-	-	-
-	-	-	-	-
-	-	-	38,857	-
-	-	-	-	-
<u>1,284</u>	<u>56,663</u>	<u>15,240</u>	<u>38,857</u>	<u>-</u>
<u>\$ 1,284</u>	<u>\$ 60,663</u>	<u>\$ 15,365</u>	<u>\$ 38,857</u>	<u>\$ 13,004</u>

**STATE OF NEW MEXICO**  
City of Espanola  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Capital Projects		
	Capital Projects Grants	NM DOT Grant	Federal W/WW Project Grant
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ -	\$ -	\$ -
Other receivables	-	-	148,707
<i>Total assets</i>	\$ -	\$ -	\$ 148,707
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	148,707
<i>Total liabilities</i>	-	-	148,707
<i>Fund balances</i>			
Spendable			
Restricted for:			
Recreation	-	-	-
Fire departments	-	-	-
Tourism	-	-	-
Public safety	-	-	-
Capital projects expenditures	-	-	-
Debt service expenditures	-	-	-
<i>Total fund balances</i>	-	-	-
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ 148,707

The accompanying notes are an integral part of these financial statements

Capital Projects			Debt Service	
State Water Project Grants	State Agency on Aging Grants	GRT Asset Replacement	NMFA Debt Service	Trust Service Fund
\$ 29,205	\$ -	\$ 299,974	\$ 177,467	\$ 3
-	-	-	-	-
<u>\$ 29,205</u>	<u>\$ -</u>	<u>\$ 299,974</u>	<u>\$ 177,467</u>	<u>\$ 3</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
29,205	-	299,974	-	-
-	-	-	177,467	3
<u>29,205</u>	<u>-</u>	<u>299,974</u>	<u>177,467</u>	<u>3</u>
<u>\$ 29,205</u>	<u>\$ -</u>	<u>\$ 299,974</u>	<u>\$ 177,467</u>	<u>\$ 3</u>

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**STATE OF NEW MEXICO**  
City of Espanola  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Debt Service		Total Nonmajor Governmental Funds
	NMFA PPR Equipment Project Loan	USDA Loan / Police Department	
<i>Assets</i>			
Cash, investments, and cash equivalents	\$ 462,241	\$ -	\$ 1,349,970
Other receivables	-	-	456,978
<i>Total assets</i>	\$ 462,241	\$ -	\$ 1,806,948
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ 27,335
Accrued payroll	-	-	21,143
Due to other funds	-	-	174,680
<i>Total liabilities</i>	-	-	223,158
<i>Fund balances</i>			
Spendable			
Restricted for:			
Recreation	-	-	15,824
Fire departments	-	-	113,717
Tourism	-	-	87,862
Public safety	-	-	330,738
Capital projects expenditures	-	-	395,938
Debt service expenditures	462,241	-	639,711
<i>Total fund balances</i>	462,241	-	1,583,790
<i>Total liabilities and fund balances</i>	\$ 462,241	\$ -	\$ 1,806,948

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Espanola  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue		
	Recreation	Teen Court	Operation Buckle Down
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-
Other	-	-	-
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	576	5,264
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	901	-	-
<i>Total revenues</i>	901	576	5,264
<i>Expenditures</i>			
Current			
Public safety	-	4,378	1,896
Public works	-	-	-
Culture and recreation	801	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	801	4,378	1,896
<i>Excess (deficiency) of revenues over expenditures</i>	100	(3,802)	3,368
<i>Other financing sources (uses)</i>			
Transfers in	-	-	350
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	-	-	350
<i>Net change in fund balances</i>	100	(3,802)	3,718
<i>Fund balances - beginning of year</i>	484	20,050	(3,718)
<i>Fund balances - end of year</i>	\$ 584	\$ 16,248	\$ -

The accompanying notes are an integral part of these financial statements



Special Revenue

COPS in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant	Library Grant	Click It or Ticket
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	9,057	-	-	-
-	-	-	-	-
33,118	-	10,407	63,838	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>33,118</u>	<u>9,057</u>	<u>10,407</u>	<u>63,838</u>	<u>-</u>
32,661	9,057	16,291	-	118
-	-	-	-	-
-	-	-	56,930	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>32,661</u>	<u>9,057</u>	<u>16,291</u>	<u>56,930</u>	<u>118</u>
457	-	(5,884)	6,908	(118)
-	-	6,250	-	118
-	(6,761)	-	-	-
<u>-</u>	<u>(6,761)</u>	<u>6,250</u>	<u>-</u>	<u>118</u>
457	(6,761)	366	6,908	-
(457)	6,761	(366)	(6,908)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014

	Special Revenue		
	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	17,874	3,773	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	6,425
<i>Total revenues</i>	17,874	3,773	6,425
<i>Expenditures</i>			
Current			
Public safety	24,127	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	24,127	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	(6,253)	3,773	6,425
<i>Other financing sources (uses)</i>			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-
<i>Net change in fund balances</i>	(6,253)	3,773	6,425
<i>Fund balances - beginning of year</i>	16,309	26,142	(6,425)
<i>Fund balances - end of year</i>	\$ 10,056	\$ 29,915	\$ -

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>
\$ -	\$ -	\$ -	\$ 986,782	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	198,217	-	-
-	-	-	-	-
3,947	-	-	-	251,110
-	-	-	-	-
-	-	-	-	-
-	-	-	1,973	754
-	-	-	3,824	288
<u>3,947</u>	<u>-</u>	<u>198,217</u>	<u>992,579</u>	<u>252,152</u>
3,958	93	128,845	917,735	211,110
-	-	-	-	-
-	-	-	-	-
-	-	52,000	-	-
-	-	-	-	49,023
-	-	-	-	10,593
<u>3,958</u>	<u>93</u>	<u>180,845</u>	<u>917,735</u>	<u>270,726</u>
<u>(11)</u>	<u>(93)</u>	<u>17,372</u>	<u>74,844</u>	<u>(18,574)</u>
979	96	-	-	-
-	-	-	(9,334)	-
<u>979</u>	<u>96</u>	<u>-</u>	<u>(9,334)</u>	<u>-</u>
968	3	17,372	65,510	(18,574)
<u>(968)</u>	<u>(3)</u>	<u>(12,455)</u>	<u>195,061</u>	<u>132,291</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,917</u>	<u>\$ 260,571</u>	<u>\$ 113,717</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, 2014

	Special Revenue		
	Roads and Streets	Law Enforcement Protection	Fire Discretionary
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	306,398	-	-
Other	-	-	-
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	31,400	-
State capital grants	-	-	-
Charges for services	2,620	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	309,018	31,400	-
<i>Expenditures</i>			
Current			
Public safety	-	34,099	-
Public works	335,614	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	335,614	34,099	-
<i>Excess (deficiency) of revenues over expenditures</i>	(26,596)	(2,699)	-
<i>Other financing sources (uses)</i>			
Transfers in	56,911	-	-
Transfers out	-	(15,560)	-
<i>Total other financing sources (uses)</i>	56,911	(15,560)	-
<i>Net change in fund balances</i>	30,315	(18,259)	-
<i>Fund balances - beginning of year</i>	(2,413)	43,747	13,458
<i>Fund balances - end of year</i>	\$ 27,902	\$ 25,488	\$ 13,458

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
23,563	-	3,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	13,280
-	-	9,645	-	-
871	-	-	-	-
-	-	30,841	-	-
<u>24,434</u>	<u>-</u>	<u>43,486</u>	<u>-</u>	<u>13,280</u>
-	-	-	-	-
-	-	-	-	10,798
2,040	11,551	40,384	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,040</u>	<u>11,551</u>	<u>40,384</u>	<u>-</u>	<u>10,798</u>
<u>22,394</u>	<u>(11,551)</u>	<u>3,102</u>	<u>-</u>	<u>2,482</u>
-	19,285	-	-	-
(49,508)	-	-	-	-
<u>(49,508)</u>	<u>19,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
(27,114)	7,734	3,102	-	2,482
<u>28,398</u>	<u>48,929</u>	<u>12,138</u>	<u>38,857</u>	<u>(2,482)</u>
<u>\$ 1,284</u>	<u>\$ 56,663</u>	<u>\$ 15,240</u>	<u>\$ 38,857</u>	<u>\$ -</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, 2014

	Capital Projects		
	Capital Projects Grants	NM DOT Grant	Federal W/WW Project Grant
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-
Other	-	-	-
Federal operating grants	-	-	-
Federal capital grants	-	-	57,207
State operating grants	-	-	-
State capital grants	-	24,669	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	-	24,669	57,207
<i>Expenditures</i>			
Current			
Public safety	-	-	-
Public works	675,665	24,669	57,207
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	675,665	24,669	57,207
<i>Excess (deficiency) of revenues over expenditures</i>	(675,665)	-	-
<i>Other financing sources (uses)</i>			
Transfers in	127,636	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	127,636	-	-
<i>Net change in fund balances</i>	(548,029)	-	-
<i>Fund balances - beginning of year</i>	548,029	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Capital Projects			Debt Service	
State Water Project Grants	State Agency on Aging Grants	GRT Asset Replacement	NMFA Debt Service	Trust Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	183	-
-	-	-	-	-
-	-	-	183	-
-	-	-	-	-
-	466	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	29,265	-
-	-	-	11,126	-
-	466	-	40,391	-
-	(466)	-	(40,208)	-
-	466	94,368	139,100	-
-	-	-	(13,589)	-
-	466	94,368	125,511	-
-	-	94,368	85,303	-
29,205	-	205,606	92,164	3
\$ 29,205	\$ -	\$ 299,974	\$ 177,467	\$ 3

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**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, 2014

	Debt Service		
	NMFA PPR Equipment Project Loan	USDA Loan / Police Department	Total Nonmajor Governmental Funds
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ 986,782
Gasoline and motor vehicle taxes	-	-	306,398
Other	-	-	26,563
Federal operating grants	-	-	207,274
Federal capital grants	-	-	57,207
State operating grants	-	-	434,587
State capital grants	-	-	24,669
Charges for services	-	-	12,265
Investment income	1,612	-	5,393
Miscellaneous	-	-	42,279
<i>Total revenues</i>	1,612	-	2,103,417
<i>Expenditures</i>			
Current			
Public safety	-	-	1,384,368
Public works	-	-	1,104,419
Culture and recreation	-	-	111,706
Capital outlay	-	-	52,000
Debt service			
Principal	295,000	12,700	385,988
Interest	93,287	2,928	117,934
<i>Total expenditures</i>	388,287	15,628	3,156,415
<i>Excess (deficiency) of revenues over expenditures</i>	(386,675)	(15,628)	(1,052,998)
<i>Other financing sources (uses)</i>			
Transfers in	397,388	15,715	858,662
Transfers out	-	-	(94,752)
<i>Total other financing sources (uses)</i>	397,388	15,715	763,910
<i>Net change in fund balances</i>	10,713	87	(289,088)
<i>Fund balances - beginning of year</i>	451,528	(87)	1,872,878
<i>Fund balances - end of year</i>	\$ 462,241	\$ -	\$ 1,583,790

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-1

City of Espanola

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2014

	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	805	805	901	96
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>805</u>	<u>805</u>	<u>901</u>	<u>96</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	805	805	801	4
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>805</u>	<u>805</u>	<u>801</u>	<u>4</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>	-	-	100	100
<i>Fund balance- beginning of year</i>	-	-	484	484
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584</u>	<u>\$ 584</u>
Net change in fund balance (Non-GAAP basis)				\$ 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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	6,836	2,301	576	(1,725)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,836</u>	<u>2,301</u>	<u>576</u>	<u>(1,725)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	6,836	9,137	4,315	4,822
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,836</u>	<u>9,137</u>	<u>4,315</u>	<u>4,822</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(6,836)</u>	<u>(3,739)</u>	<u>3,097</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	6,836	-	(6,836)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>6,836</u>	<u>-</u>	<u>(6,836)</u>
<i>Net change in fund balance</i>	-	-	(3,739)	(3,739)
<i>Fund balance - beginning of year</i>	-	-	20,050	20,050
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,311</u>	<u>\$ 16,311</u>
Net change in fund balance (Non-GAAP basis)				\$ (3,739)
No adjustments to revenues				-
Adjustments to expenditures for salaries				(63)
Net change in fund balance (GAAP basis)				<u>\$ (3,802)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-3

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, 2014

	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	854	854	5,264	4,410
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>854</u>	<u>854</u>	<u>5,264</u>	<u>4,410</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	854	854	1,899	(1,045)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>854</u>	<u>854</u>	<u>1,899</u>	<u>(1,045)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,365</u>	<u>3,365</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	350	350
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>3,715</u>	<u>3,715</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(3,715)</u>	<u>(3,715)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 3,715
No adjustments to revenues				-
Adjustments to expenditures for salaries				3
Net change in fund balance (GAAP basis)				<u>\$ 3,718</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-4

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, 2014

	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	32,212	(3,148)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>35,360</u>	<u>35,360</u>	<u>32,212</u>	<u>(3,148)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	35,360	32,212	32,212	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>35,360</u>	<u>32,212</u>	<u>32,212</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>3,148</u>	<u>-</u>	<u>(3,148)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(3,148)	-	3,148
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(3,148)</u>	<u>-</u>	<u>3,148</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</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)				\$ -
Adjustments to revenues for state operating grants				906
Adjustments to expenditures for salaries				(449)
Net change in fund balance (GAAP basis)				<u>\$ 457</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-5

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, 2014

	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	9,951	9,951	-	(9,951)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,951</u>	<u>9,951</u>	<u>-</u>	<u>(9,951)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	9,951	9,951	9,057	894
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,951</u>	<u>9,951</u>	<u>9,057</u>	<u>894</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(9,057)</u>	<u>(9,057)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(6,761)	(6,761)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(6,761)</u>	<u>(6,761)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(15,818)</u>	<u>(15,818)</u>
<i>Fund balance - beginning of year</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>\$ (9,057)</u>	<u>\$ (9,057)</u>
Net change in fund balance (Non-GAAP basis)				\$ (15,818)
Adjustments to revenues for federal operating grants				9,057
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (6,761)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-6

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, 2014

	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	3,604	3,604	10,407	6,803
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,604</u>	<u>3,604</u>	<u>10,407</u>	<u>6,803</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	3,604	3,604	16,291	(12,687)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,604</u>	<u>3,604</u>	<u>16,291</u>	<u>(12,687)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(5,884)</u>	<u>(5,884)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	6,250	6,250
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>6,250</u>	<u>6,250</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>(366)</u>	<u>(366)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 366
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 366</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

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, 2014

	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	30,502	6,853	53,172	46,319
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>30,502</u>	<u>6,853</u>	<u>53,172</u>	<u>46,319</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	30,502	6,853	50,324	(43,471)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>30,502</u>	<u>6,853</u>	<u>50,324</u>	<u>(43,471)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>2,848</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>2,848</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(6,908)</u>	<u>(6,908)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,060)</u>	<u>\$ (4,060)</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,848
Adjustments to revenues for state operating grants				10,666
Adjustments to expenditures for professional services				(6,606)
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-8

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, 2014

	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	-	-	118	(118)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>118</u>	<u>(118)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(118)</u>	<u>(118)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	118	118
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>118</u>	<u>118</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</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-9

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, 2014

	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	14,419	17,874	17,874	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>14,419</u>	<u>17,874</u>	<u>17,874</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	14,419	32,293	23,217	9,076
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,419</u>	<u>32,293</u>	<u>23,217</u>	<u>9,076</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(14,419)</u>	<u>(5,343)</u>	<u>9,076</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	14,419	-	(14,419)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>14,419</u>	<u>-</u>	<u>(14,419)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(5,343)</u>	<u>(5,343)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>16,309</u>	<u>16,309</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,966</u>	<u>\$ 10,966</u>
Net change in fund balance (Non-GAAP basis)				\$ (5,343)
No adjustments to revenues				-
Adjustments to expenditures for supplies				(910)
Net change in fund balance (GAAP basis)				<u>\$ (6,253)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-10

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, 2014

	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	32,764	32,764	3,773	(28,991)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>32,764</u>	<u>32,764</u>	<u>3,773</u>	<u>(28,991)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	32,764	32,764	-	32,764
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,764</u>	<u>32,764</u>	<u>-</u>	<u>32,764</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,773</u>	<u>3,773</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	3,773	3,773
<i>Fund balance - beginning of year</i>	-	-	26,142	26,142
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,915</u>	<u>\$ 29,915</u>
Net change in fund balance (Non-GAAP basis)				\$ 3,773
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 3,773</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-11

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, 2014

	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>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ -
Adjustments to revenues for miscellaneous revenue				6,425
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 6,425</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-12

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, 2014

	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	3,907	(349)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>4,256</u>	<u>3,907</u>	<u>(349)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	4,255	3,955	300
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>4,255</u>	<u>3,955</u>	<u>300</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1</u>	<u>(48)</u>	<u>(49)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(1)	-	1
Transfers in	-	-	979	979
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1)</u>	<u>979</u>	<u>980</u>
<i>Net change in fund balance</i>	-	-	931	931
<i>Fund balance - beginning of year</i>	-	-	(931)	(931)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 931
Adjustments to revenues for state operating grants				40
Adjustments to expenditures for salaries				(3)
Net change in fund balance (GAAP basis)				<u>968</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-13

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, 2014

	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	-	-	96	(96)
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>96</u>	<u>(96)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(96)</u>	<u>(96)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	96	96
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</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				-
Adjustments to expenditures for salaries				<u>3</u>
Net change in fund balance (GAAP basis)				<u>\$ 3</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-14

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, 2014

	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	198,361	198,361	216,866	18,505
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>198,361</u>	<u>198,361</u>	<u>216,866</u>	<u>18,505</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	198,361	198,361	181,094	17,267
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>198,361</u>	<u>198,361</u>	<u>181,094</u>	<u>17,267</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>35,772</u>	<u>35,772</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>35,772</u>	<u>35,772</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(30,855)</u>	<u>(30,855)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,917</u>	<u>\$ 4,917</u>
Net change in fund balance (Non-GAAP basis)				\$ 35,772
Adjustments to revenues for state operating grants				(18,649)
Adjustments to expenditures for salaries				249
Net change in fund balance (GAAP basis)				<u>\$ 17,372</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-15

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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	984,111	1,003,449	904,549	(98,900)
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	1,000	1,000	1,973	973
Miscellaneous	1,670	1,670	3,819	2,149
<i>Total revenues</i>	<u>986,781</u>	<u>1,006,119</u>	<u>910,341</u>	<u>(95,778)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	986,781	1,005,119	906,564	98,555
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>986,781</u>	<u>1,005,119</u>	<u>906,564</u>	<u>98,555</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	1,000	3,777	2,777
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	9,881	8,867	-	(8,867)
Transfers in	-	-	-	-
Transfers out	(9,881)	(9,867)	(9,334)	533
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,000)</u>	<u>(9,334)</u>	<u>(8,334)</u>
<i>Net change in fund balance</i>	-	-	(5,557)	(5,557)
<i>Fund balance - beginning of year</i>	-	-	45,453	45,453
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,896</u>	<u>\$ 39,896</u>
Net change in fund balance (Non-GAAP basis)				\$ (5,557)
Adjustments to revenues for gross receipts taxes				82,238
Adjustments to expenditures for salaries and repairs				(11,171)
Net change in fund balance (GAAP basis)				<u>\$ 65,510</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement B-16

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, 2014

	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	484,783	484,783	251,110	(233,673)
State capital grants	-	-	-	-
Investment income (loss)	275	275	754	479
Miscellaneous	-	-	288	288
<i>Total revenues</i>	<u>485,058</u>	<u>485,058</u>	<u>252,152</u>	<u>(232,906)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	416,525	416,525	208,379	208,146
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay				
Debt service				
Principal	68,533	68,533	49,023	19,510
Interest	-	-	10,593	(10,593)
<i>Total expenditures</i>	<u>485,058</u>	<u>485,058</u>	<u>267,995</u>	<u>217,063</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(15,843)	(15,843)
<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>	-	-	(15,843)	(15,843)
<i>Fund balance - beginning of year</i>	-	-	139,219	139,219
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,376</u>	<u>\$ 123,376</u>
Net change in fund balance (Non-GAAP basis)				\$ (15,843)
Adjustments to revenues for state operating grants				-
Adjustments to expenditures for salaries				(2,731)
Net change in fund balance (GAAP basis)				<u>\$ (18,574)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-17

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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	344,565	344,565	330,915	(13,650)
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	3,000	3,000	2,620	(380)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>347,565</u>	<u>347,565</u>	<u>333,535</u>	<u>(14,030)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	347,565	347,565	335,614	11,951
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>347,565</u>	<u>347,565</u>	<u>335,614</u>	<u>11,951</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(2,079)	(2,079)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	56,911	56,911
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	<u>56,911</u>	<u>56,911</u>
<i>Net change in fund balance</i>	-	-	54,832	54,832
<i>Fund balance - beginning of year</i>	-	-	(54,832)	(54,832)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 54,832
Adjustments to revenues for gasoline and motor vehicles				(24,517)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 30,315</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-18

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, 2014

	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	50,433	31,400	31,400	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>50,433</u>	<u>31,400</u>	<u>31,400</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	34,787	34,783	34,099	684
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,787</u>	<u>34,783</u>	<u>34,099</u>	<u>684</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,646</u>	<u>(3,383)</u>	<u>(2,699)</u>	<u>684</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1	19,033	-	(19,033)
Transfers in	-	-	-	-
Transfers out	(15,647)	(15,650)	(15,560)	90
<i>Total other financing sources (uses)</i>	<u>(15,646)</u>	<u>3,383</u>	<u>(15,560)</u>	<u>(18,943)</u>
<i>Net change in fund balance</i>	-	-	(18,259)	(18,259)
<i>Fund balance - beginning of year</i>	-	-	43,747	43,747
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,488</u>	<u>\$ 25,488</u>
Net change in fund balance (Non-GAAP basis)				\$ (18,259)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (18,259)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-19

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, 2014

	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>	-	-	13,458	13,458
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,458</u>	<u>\$ 13,458</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-20

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, 2014

	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	49,321	49,321	64,170	14,849
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	871	871
<i>Total revenues</i>	<u>49,321</u>	<u>49,321</u>	<u>65,041</u>	<u>15,720</u>
<i>Expenditures</i>				
Current				
General government	20,770	-	2,040	(2,040)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,770</u>	<u>-</u>	<u>2,040</u>	<u>(2,040)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>28,551</u>	<u>49,321</u>	<u>63,001</u>	<u>13,680</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(28,551)	(49,321)	(49,508)	(187)
<i>Total other financing sources (uses)</i>	<u>(28,551)</u>	<u>(49,321)</u>	<u>(49,508)</u>	<u>(187)</u>
<i>Net change in fund balance</i>	-	-	13,493	13,493
<i>Fund balance - beginning of year</i>	-	-	(12,209)	(12,209)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 1,284</u>
Net change in fund balance (Non-GAAP basis)				\$ 13,493
Adjustments to revenues for other taxes				(40,607)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (27,114)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-21

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, 2014

	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	19,285	19,285	7,551	11,734
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,285</u>	<u>19,285</u>	<u>7,551</u>	<u>11,734</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(19,285)</u>	<u>(19,285)</u>	<u>(7,551)</u>	<u>11,734</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	19,285	19,285	19,285	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>19,285</u>	<u>19,285</u>	<u>19,285</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	11,734	11,734
<i>Fund balance - beginning of year</i>	-	-	48,929	48,929
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,663</u>	<u>\$ 60,663</u>
Net change in fund balance (Non-GAAP basis)				\$ 11,734
No adjustments to revenues				-
Adjustments to expenditures for supplies				(4,000)
Net change in fund balance (GAAP basis)				<u>7,734</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-22

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, 2014

	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	-	-	3,000	3,000
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	14,400	14,400	9,645	(4,755)
Miscellaneous	25,600	30,600	30,841	241
<i>Total revenues</i>	<u>40,000</u>	<u>45,000</u>	<u>43,486</u>	<u>(1,514)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	40,000	45,000	40,259	4,741
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,000</u>	<u>45,000</u>	<u>40,259</u>	<u>4,741</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	3,227	3,227
<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>	-	-	3,227	3,227
<i>Fund balance - beginning of year</i>	-	-	12,138	12,138
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,365</u>	<u>\$ 15,365</u>
Net change in fund balance (Non-GAAP basis)				\$ 3,227
No adjustments to revenues				-
Adjustments to expenditures for supplies				(125)
Net change in fund balance (GAAP basis)				<u>\$ 3,102</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-23

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, 2014

	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>	-	-	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-24

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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	11,000	11,000	7,250	(3,750)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>11,000</u>	<u>11,000</u>	<u>7,250</u>	<u>(3,750)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	11,000	11,000	10,650	350
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,000</u>	<u>11,000</u>	<u>10,650</u>	<u>350</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(3,400)</u>	<u>(3,400)</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>(3,400)</u>	<u>(3,400)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(9,456)</u>	<u>(9,456)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,856)</u>	<u>\$ (12,856)</u>
Net change in fund balance (Non-GAAP basis)				\$ (3,400)
Adjustments to revenues for state operating grants				6,030
Adjustments to expenditures for repairs				(148)
Net change in fund balance (GAAP basis)				<u>\$ 2,482</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-25

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, 2014

	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	553,956	553,956	-	(553,956)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>553,956</u>	<u>553,956</u>	<u>-</u>	<u>(553,956)</u>
<i>Expenditures</i>				
Current				
General government	553,956	553,956	675,665	(121,709)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>553,956</u>	<u>553,956</u>	<u>675,665</u>	<u>(121,709)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(675,665)</u>	<u>(675,665)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from the sale of land	-	-	-	-
Transfers in	-	-	127,636	127,636
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>127,636</u>	<u>127,636</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(548,029)</u>	<u>(548,029)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>548,029</u>	<u>548,029</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Net change in fund balance (Non-GAAP basis)				(548,029)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (548,029)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-26

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, 2014

	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	43,616	43,616	43,616	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>43,616</u>	<u>43,616</u>	<u>43,616</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	43,616	43,616	24,669	18,947
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,616</u>	<u>43,616</u>	<u>24,669</u>	<u>18,947</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>18,947</u>	<u>18,947</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>18,947</u>	<u>18,947</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(18,947)</u>	<u>(18,947)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ 18,947
Adjustments to revenues for state capital grants				(18,947)
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

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, 2014

	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	-	-	-	-
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	-	-	57,207	(57,207)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>57,207</u>	<u>(57,207)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(57,207)</u>	<u>(57,207)</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>	-	-	(57,207)	(57,207)
<i>Fund balance - beginning of year</i>	-	-	(91,500)	(91,500)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (148,707)</u>	<u>\$ (148,707)</u>
Net change in fund balance (Non-GAAP basis)				\$ (57,207)
Adjustments to revenues for federal capital grants				57,207
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-28

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, 2014

	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>	-	-	29,205	29,205
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,205</u>	<u>\$ 29,205</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-29

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, 2014

	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	-	-	466	(466)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>466</u>	<u>(466)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(466)</u>	<u>(466)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	466	466
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>466</u>	<u>466</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</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-30

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, 2014

	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	-	-	94,368	94,368
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>94,368</u>	<u>94,368</u>
<i>Net change in fund balance</i>	-	-	94,368	94,368
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>205,606</u>	<u>205,606</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,974</u>	<u>\$ 299,974</u>
Net change in fund balance (Non-GAAP basis)				\$ 94,368
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 94,368</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-31

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, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	183	183
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>183</u>	<u>183</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	103,280	103,280	29,265	74,015
Interest	35,820	35,820	11,126	24,694
<i>Total expenditures</i>	<u>139,100</u>	<u>139,100</u>	<u>40,391</u>	<u>98,709</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(139,100)</u>	<u>(139,100)</u>	<u>(40,208)</u>	<u>98,892</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	139,100	139,100	139,100	-
Transfers out	-	-	(13,589)	(13,589)
<i>Total other financing sources (uses)</i>	<u>139,100</u>	<u>139,100</u>	<u>125,511</u>	<u>(13,589)</u>
<i>Net change in fund balance</i>	-	-	85,303	85,303
<i>Fund balance - beginning of year</i>	-	-	92,164	92,164
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,467</u>	<u>\$ 177,467</u>
Net change in fund balance (Non-GAAP basis)				\$ 85,303
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 85,303</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement B-32

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, 2014

	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 - 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-33

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, 2014

	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)	-	-	1,612	1,612
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,612</u>	<u>1,612</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	307,173	295,000	295,000	-
Interest	100,275	93,317	93,287	30
<i>Total expenditures</i>	<u>407,448</u>	<u>388,317</u>	<u>388,287</u>	<u>30</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(407,448)</u>	<u>(388,317)</u>	<u>(386,675)</u>	<u>1,642</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	407,448	388,317	397,388	9,071
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>407,448</u>	<u>388,317</u>	<u>397,388</u>	<u>9,071</u>
<i>Net change in fund balance</i>	-	-	10,713	10,713
<i>Fund balance - beginning of year</i>	-	-	451,528	451,528
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,241</u>	<u>\$ 462,241</u>
Net change in fund balance (Non-GAAP basis)				\$ 10,713
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 10,713</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-34

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, 2014

	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	12,995	12,700	12,700	-
Interest	2,566	2,928	2,928	-
<i>Total expenditures</i>	<u>15,561</u>	<u>15,628</u>	<u>15,628</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(15,561)</u>	<u>(15,628)</u>	<u>(15,628)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(15,675)	-	15,675
Transfers in	15,561	31,303	15,715	(15,588)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>15,561</u>	<u>15,628</u>	<u>15,715</u>	<u>87</u>
<i>Net change in fund balance</i>	-	-	87	87
<i>Fund balance - beginning of year</i>	-	-	(87)	(87)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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-35

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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,208,648	1,078,200	961,242	(116,958)
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	0	-	-
<i>Total revenues</i>	<u>1,208,648</u>	<u>1,078,200</u>	<u>961,242</u>	<u>(116,958)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	758,429	629,541	242,984	386,557
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>758,429</u>	<u>629,541</u>	<u>242,984</u>	<u>386,557</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>450,219</u>	<u>448,659</u>	<u>718,258</u>	<u>269,599</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	291,618	118,732	-	(118,732)
Transfers in	-	-	-	-
Transfers out	(741,837)	(567,391)	(601,259)	(33,868)
<i>Total other financing sources (uses)</i>	<u>(450,219)</u>	<u>(448,659)</u>	<u>(601,259)</u>	<u>(152,600)</u>
<i>Net change in fund balance</i>	-	-	116,999	116,999
<i>Fund balance - beginning of year</i>	-	-	1,649,224	1,649,224
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,766,223</u>	<u>\$ 1,766,223</u>
Net change in fund balance (Non-GAAP basis)				\$ 116,999
Adjustments to revenues for gross receipts taxes				1,439
Adjustments to expenditures for professional services				(16,945)
Net change in fund balance (GAAP basis)				<u>\$ 101,493</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-36

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, 2014

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	3,468	3,468
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,468</u>	<u>3,468</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	505,000	505,000	395,000	110,000
Interest	384,311	384,311	265,462	118,849
<i>Total expenditures</i>	<u>889,311</u>	<u>889,311</u>	<u>660,462</u>	<u>228,849</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(889,311)</u>	<u>(889,311)</u>	<u>(656,994)</u>	<u>232,317</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	889,311	889,311	660,462	(228,849)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>889,311</u>	<u>889,311</u>	<u>660,462</u>	<u>(228,849)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>3,468</u>	<u>3,468</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,747,987</u>	<u>1,747,987</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,751,455</u>	<u>\$ 1,751,455</u>
Net change in fund balance (Non-GAAP basis)				\$ 3,468
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 3,468</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-37

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, 2014

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 5,521,413	\$ 5,386,681	\$ 4,617,177	\$ (769,504)
<i>Total operating revenues</i>	<u>5,521,413</u>	<u>5,386,681</u>	<u>4,617,177</u>	<u>(769,504)</u>
<i>Operating expenses</i>				
Personnel services	1,499,427	1,735,225	1,234,350	500,875
Contractual services	409,965	409,965	216,723	193,242
Supplies and services	933,015	933,015	515,603	417,412
Repairs and maintenance	331,100	331,100	183,668	147,432
Utilities	519,000	519,000	403,994	115,006
Depreciation expense	-	-	379,487	(379,487)
Bad debt expense	-	-	-	-
<i>Total operating expenses</i>	<u>3,692,507</u>	<u>3,928,305</u>	<u>2,933,825</u>	<u>994,480</u>
<i>Operating income (loss)</i>	<u>1,828,906</u>	<u>1,458,376</u>	<u>1,683,352</u>	<u>224,976</u>
<i>Non-operating revenues (expenses)</i>				
Interest expense	(166,320)	(166,320)	(163,112)	3,208
Interest income	-	-	5,139	5,139
<i>Total non-operating revenues (expenses)</i>	<u>(166,320)</u>	<u>(166,320)</u>	<u>(157,973)</u>	<u>8,347</u>
<i>Income (loss) before transfers and grants</i>	<u>1,662,586</u>	<u>1,292,056</u>	<u>1,525,379</u>	<u>233,323</u>
Transfer of capital assets	-	-	-	-
Transfers	(1,403,659)	(683,412)	(683,383)	29
<i>Change in net position</i>	<u>\$ 258,927</u>	<u>\$ 608,644</u>	<u>841,996</u>	<u>\$ 233,352</u>
<i>Total net position, beginning of year</i>			<u>4,114,000</u>	
<i>Total net position, end of year</i>			<u>\$ 4,955,996</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-38

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, 2014

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 818,000	\$ 642,000	\$ 538,081	\$ (103,919)
<i>Total operating revenues</i>	<u>818,000</u>	<u>642,000</u>	<u>538,081</u>	<u>(103,919)</u>
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	597,500	569,800	687,333	(117,533)
Supplies and services	159,200	159,200	173,078	(13,878)
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Bad debt expense	-	-	-	-
<i>Total operating expenses</i>	<u>756,700</u>	<u>729,000</u>	<u>860,411</u>	<u>(131,411)</u>
<i>Operating income (loss)</i>	<u>61,300</u>	<u>(87,000)</u>	<u>(322,330)</u>	<u>(235,330)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	176,000	176,000	160,665	(15,335)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>176,000</u>	<u>176,000</u>	<u>160,665</u>	<u>(15,335)</u>
<i>Income (loss) before transfers and grants</i>	<u>237,300</u>	<u>89,000</u>	<u>(161,665)</u>	<u>(250,665)</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>(222,965)</u>	<u>\$ (250,665)</u>
<i>Total net position, beginning of year</i>			<u>(250,585)</u>	
<i>Total net position, end of year</i>			<u>\$ (473,550)</u>	

The accompanying notes are an integral part of these financial statements

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Espanola  
Schedule of Deposit and Investment Accounts  
June 30, 2014

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Valley National Bank</b>					
Bond Court	Checking	\$ 59,603	\$ 300	\$ -	\$ 59,903
E-911	Checking	240,803	-	6,727	234,076
Fire Fund	Checking	65,388	-	11,241	54,147
General Fund	Checking	1,279,406	27,407	395,990	910,823
Online Utility	Checking	1,519,251	4,768	-	1,524,019
Payroll Fund	Checking	603,960	49	172,836	431,173
Restricted Fund	Checking	1,648,305	-	-	1,648,305
General Fund - Express Bill Pay	Checking	10,072	-	-	10,072
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		8,198,717	32,524	586,794	7,644,447
<b>Bank of Albuquerque- Restricted Cash and Cash Equivalents</b>					
Espanola Municipal Infrastructure GRT Income Fund	U.S. Treasury Mutual Fund	151,044	-	-	151,044
Espanola Municipal Infrastructure GRT Debt Service Reserve	U.S. Treasury Mutual Fund	320,853	-	-	320,853
Total Bank of Albuquerque		471,897	-	-	471,897
<b>New Mexico Finance Authority - Restricted Cash and Cash Equivalents</b>					
Espanola 1	State Treasurer Debt Service	40,728	-	-	40,728
Espanola 1- Reserve	State Treasurer Debt Service	52,228	-	-	52,228
Espanola 7	State Treasurer Debt Service	7	-	-	7
Espanola 8	State Treasurer Debt Service	536,085	-	-	536,085
Espanola 8- Reserve	State Treasurer Debt Service	773,115	-	-	773,115
Espanola 12	State Treasurer Debt Service	132,032	-	-	132,032
Espanola 12- Reserve	State Treasurer Debt Service	43,598	-	-	43,598
Espanola 13	State Treasurer Debt Service	242,477	-	-	242,477
Espanola 13-Reserve3	State Treasurer Debt Service	44,134	-	-	44,134
Total New Mexico Finance Authority		1,864,404	-	-	1,864,404

See independent auditors' report

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Total		<u>\$ 8,670,614</u>	<u>\$ 32,524</u>	<u>\$ 586,794</u>	9,980,748
New Mexico State Treasurer Local Government Investment Pool					\$ 1,766,998
Reserve Contingency Fund					1,208
Add: petty cash					470
Total deposits and investments					<u>\$ 11,749,424</u>
Deposits and investments per financial statements:					
Cash, investments, and cash equivalents - Exhibit A-1					\$ 8,836,792
Other investments - Exhibit A-1					228,929
Restricted cash and cash equivalents - Exhibit A-1					2,336,301
Fiduciary funds cash and investments - Exhibit E-1					347,402
Total deposits and investments					<u>\$ 11,749,424</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, 2014

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market/Par Value at June 30, 2014	Location of Safekeeper
<b>Valley National Bank</b>					
	FHLB	3/13/2015	3133XQBC5	\$ 1,028,776	TIB Independent Bankers Bank Dallas, TX
	FNMA # MA 1165	8/1/2032	31418AJK5	1,268,475	TIB Independent Bankers Bank Dallas, TX
	FHLMC GOLD	12/1/2021	3128PXLF1	1,438,827	TIB Independent Bankers Bank Dallas, TX
	FLMC Pool # E09025	3/1/2028	31294UA29	1,067,379	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	956,963	TIB Independent Bankers Bank Dallas, TX
	NM MTG Fin Auth	9/1/2024	647200H80	155,000 *	
	Rio Rancho N Mex Event	6/1/2020	76717PAJ7	500,000 *	
	New Mexico State Univ.	4/1/2019	647421BE5	500,000 *	
Total Pledged Collateral				<u>\$ 7,915,420</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, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<i>Assets</i>				
<i>Judicial:</i>				
Cash	\$ (9,488)	\$ 27,781	\$ 40,607	\$ (22,314)
Accounts Receivable	-	12,193	-	12,193
Assets	<u>\$ (9,488)</u>	<u>\$ 39,974</u>	<u>\$ 40,607</u>	<u>\$ (10,121)</u>
<i>Municipal Court:</i>				
Cash	\$ (748)	-	-	\$ (748)
Assets	<u>\$ (748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (748)</u>
<i>Bond:</i>				
Cash	\$ 98,223	\$ 117,789	\$ 130,050	\$ 85,962
Assets	<u>\$ 98,223</u>	<u>\$ 117,789</u>	<u>\$ 130,050</u>	<u>\$ 85,962</u>
<i>Utility Deposit Trust:</i>				
Cash	\$ 229,673	\$ 94,242	\$ 90,534	\$ 233,381
Investments	43,000	-	-	43,000
Accounts Receivable	482	-	-	\$ 482
Assets	<u>\$ 273,155</u>	<u>\$ 94,242</u>	<u>\$ 90,534</u>	<u>\$ 276,863</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>

See independent auditors' report

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<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	\$ 6,444	\$ 1,125	\$ 1,707	\$ 5,862
Assets	<u>\$ 6,444</u>	<u>\$ 1,125</u>	<u>\$ 1,707</u>	<u>\$ 5,862</u>
<i>Forfeiture:</i>				
Cash	\$ 967	\$ -	\$ -	\$ 967
Assets	<u>\$ 967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967</u>
Total assets	<u>\$ 369,845</u>	<u>\$ 253,130</u>	<u>\$ 262,898</u>	<u>\$ 360,077</u>
<i>Liabilities</i>				
Deposits payable	\$ 57,357	\$ 89,972	\$ 74,168	\$ 73,161
Accounts payable	5,324	5,324	8,799	1,849
Due to other entities	<u>307,164</u>	<u>157,834</u>	<u>179,931</u>	<u>285,067</u>
Total liabilities	<u>\$ 369,845</u>	<u>\$ 253,130</u>	<u>\$ 262,898</u>	<u>\$ 360,077</u>

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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, 2014, 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 March 31, 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*

RPC CPAS + CONSULTANTS, LLP  
Albuquerque, New Mexico  
March 31, 2016

**STATE OF NEW MEXICO**  
City of Espanola  
Schedule of Findings and Responses  
June 30, 2014

**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 |

**STATE OF NEW MEXICO**  
City of Espanola  
Schedule of Findings and Responses  
June 30, 2014

Schedule IV  
Page 2 of 12

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

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

**STATE OF NEW MEXICO**  
City of Espanola  
Schedule of Findings and Responses  
June 30, 2014

**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, 2014:

	Approved Budget	Actual Expenditures	Amount Exceeded
Operation Buckle Down	\$ 854	\$ 1,899	\$ 1,045
Operation DWI State Grant	3,604	16,291	12,687
Library Grant	6,853	50,324	43,471
Click it or Ticket	-	118	118
DWI Program Enforcement	-	96	96
Lodgers' Tax	-	2,040	2,040
Capital Projects Grants	553,956	675,665	121,709
Federal W/WW Project Grant	-	57,207	57,207
State Agency on Aging Grants	-	466	466
Solid Waste Fund	729,000	860,411	131,411

*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 2014 financial report by the required deadline of December 1, 2014. The report was submitted by the City in March of 2016.

*Criteria:* Per 2.2.2.9A (1) NMAC, the City was required to submit its fiscal year 2013-14 annual financial report to the New Mexico State Auditor by December 1, 2014.

*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 2016 audit report. The fiscal year 2014 and 2015 audits will naturally be considered late when they are submitted later in calendar year 2016.

**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 FY14 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 FY14 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 FY14 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.
- During FY14 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.

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

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

*Auditors' Recommendations:* The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented 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 \$871,238 by function for Governmental Activities at year end June 30, 2014.

*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, 2014.

*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, 2014. The contract was prepared on March 20, 2015 and approved by the State Auditor's office on May 5, 2015.

*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 298 checks in the general fund that were dated over one year old at June 30, 2014. These checks totaled \$29,100.67.

*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 could not locate RFP documents, evidence of quotes, or provide sole source documentation related to the following:

- Kansas State Bank- Expenditures totaled \$131,693.58 during fiscal year 2014. Goods and services were reported as procured through a federally approved purchase contract; however, the related contract number could not be located. There was no indication in writing that the contractor was willing to extend contractor pricing, terms and conditions to the City.
- Atlantic Tactical –There were multiple purchases for the same items that in the aggregate totaled \$73,698.34. No evidence of quotes, bid notice, or any other procurement documentation could be located.
- Avaya –Expenditures totaled \$33,812 during fiscal year 2014. Goods and services were procured through a sole-source determination; however, there was no documentation of the sole-source justification and the notice of proposed contract could not be located.

*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...”

With regard to sole source procurements, section 13-1-126 NMSA 1978 states that “ A contract may be awarded without a competitive sealed bids or competitive sealed proposals regardless of the estimated costs when the state purchasing agent or a central purchasing office determines in writing that:

- (1) there is only one source for the required service, construction or item of tangible personal property;
- (2) the service, construction or item of tangible personal property is unique and this uniqueness is substantially related to the intended purpose of the contract; and
- (3) other similar services, construction or items of tangible personal property cannot meet the intended purpose of the contract.

Section 13-1-126.1 NMSA 1978 requires 30 day notice of intent to award a sole source contract on its website or on the state purchasing agent’s web site.

With regard to procurements under existing contracts, section 13-1-129 NMSA 1978 requires the contractor to indicate in writing a willingness to extend such contractor pricing, terms, and conditions to the local public body and the requires the purchase order to adequately identify the contract being relied upon.

*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 10 out of 10 fuel logs tested, adequate supporting documentation including receipts could not be provided. The dollar amount associated with these charges totaled \$18,725.42

*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 transactions, 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 for vehicle maintenance. 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 related to replacing a hood for a vehicle. The dollar amount associated with this transaction totaled \$3,048.15.

We noted in fiscal year 2014 the City had not updated their policies regarding conflict of interest disclosure statements and had not updated its procurement policies with respect to insurance claims and instances where the dispatch center procures tow-truck and vehicle maintenance services on behalf of the City.

*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 2014 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, 2014.

*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, 2014

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on March 30, 2016. In attendance were the following:

**Representing the City of Espanola:**

Alice A. Lucero	Mayor
Pedro Valdez	Mayor Pro Tem
Peggy Sue Martinez	Councilor
Michelle R. Martinez	Councilor
Mark Trujillo	Interim City Manager
Joyce Sandoval	Administrative Service Director
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.