



State of  
New Mexico  
City of Española

Annual Financial Report  
For the Year Ended June 30, 2016



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

City of Española  
Annual Financial Report  
June 30, 2016  
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**STATE OF NEW MEXICO**

City of Española

Official Roster

June 30, 2016

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

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
The City Council  
City of Española  
Española, 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 Española (the "City"), as of and for the year ended June 30, 2016, 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, 2016, 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 Española, as of June 30, 2016, 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 respects, the respective financial position of each nonmajor governmental fund as of June 30, 2016, 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.

Accounting principles generally accepted in the United States of America require Schedules I, II, and notes to the required supplementary information be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

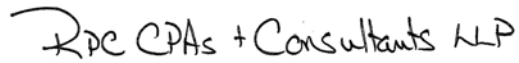
Our audit was conducted for the purpose of forming opinions on the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section and Schedules III through VI required by Section 2.2.2 NMAC are presented for purposes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

Schedules III through V 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 III through V 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 and Schedule VI have 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 December 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
December 8, 2016

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Española

Statement of Net Position

June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash, investments and cash equivalents	\$ 8,704,550	\$ 2,003,984	\$ 10,708,534
Other investments	170,000	58,929	228,929
Receivables:			
Property taxes	115,733	-	115,733
Other receivables	2,571,208	28,279	2,599,487
Customer receivables, net	-	1,061,189	1,061,189
Internal balances	309,963	(309,963)	-
<i>Total current assets</i>	<u>11,871,454</u>	<u>2,842,418</u>	<u>14,713,872</u>
Noncurrent assets			
Restricted cash and cash equivalents	1,928,896	382,543	2,311,439
Capital assets	35,204,813	16,658,763	51,863,576
Less: accumulated depreciation	(20,459,170)	(6,521,600)	(26,980,770)
<i>Total noncurrent assets</i>	<u>16,674,539</u>	<u>10,519,706</u>	<u>27,194,245</u>
<b>Deferred outflows</b>			
Employer contributions subsequent to the measurement date	572,621	91,449	664,070
Difference between expected and actual experience	130,844	19,699	150,543
Changes in proportion	239,072	35,992	275,064
<i>Total deferred outflows</i>	<u>942,537</u>	<u>147,140</u>	<u>1,089,677</u>
<i>Total assets and deferred outflows</i>	<u>\$ 29,488,530</u>	<u>\$ 13,509,264</u>	<u>\$ 42,997,794</u>

The accompanying notes are an integral part of these financial statements.

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 645,876	\$ 110,881	\$ 756,757
Accrued payroll	638,967	80,546	719,513
Accrued interest payable	85,021	63,533	148,554
Bonds payable	14,400	19,383	33,783
Loans and notes payable	850,374	631,579	1,481,953
Accrued compensated absences	308,540	55,367	363,907
<i>Total current liabilities</i>	<u>2,543,178</u>	<u>961,289</u>	<u>3,504,467</u>
Noncurrent liabilities			
Bonds payable	14,800	682,125	696,925
Loans and notes payable	6,915,968	4,374,967	11,290,935
Accrued compensated absences	473,543	41,475	515,018
Accrued landfill closure costs	-	233,750	233,750
Net pension liability	8,210,657	1,269,986	9,480,643
<i>Total noncurrent liabilities</i>	<u>15,614,968</u>	<u>6,602,303</u>	<u>22,217,271</u>
<i>Total liabilities</i>	<u>18,158,146</u>	<u>7,563,592</u>	<u>25,721,738</u>
<b>Deferred inflows</b>			
Net difference between actual and projected investment earnings on pension plan investments	11,631	12,351	23,982
Change in assumptions	30,504	4,854	35,358
<i>Total deferred inflows</i>	<u>42,135</u>	<u>17,205</u>	<u>59,340</u>
<b>Net position</b>			
Net investment in capital assets	6,950,101	4,429,109	11,379,210
Restricted for:			
Debt service	2,648,143	382,543	3,030,686
Capital projects	2,401,990	-	2,401,990
Special revenue	2,621,364	-	2,621,364
Unrestricted	(3,333,349)	1,116,815	(2,216,534)
<i>Total net position</i>	<u>11,288,249</u>	<u>5,928,467</u>	<u>17,216,716</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 29,488,530</u>	<u>\$ 13,509,264</u>	<u>\$ 42,997,794</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Statement of Activities  
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government	\$ 4,367,473	\$ 382,460	\$ -	\$ -
Public safety	5,815,862	-	578,126	-
Public works	2,311,997	2,551	196,749	341,941
Culture and recreation	1,151,863	8,465	80,249	244,528
Interest on long-term debt	325,662	-	-	-
<i>Total governmental activities</i>	<u>13,972,857</u>	<u>393,476</u>	<u>855,124</u>	<u>586,469</u>
<b>Business-type Activities:</b>				
Water and wastewater	3,367,638	5,429,144	-	-
Solid waste	912,271	770,567	-	-
<i>Total business-type activities</i>	<u>4,279,909</u>	<u>6,199,711</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 18,252,766</u>	<u>\$ 6,593,187</u>	<u>\$ 855,124</u>	<u>\$ 586,469</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*

Special item - decrease in landfill liability (see note 13)

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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,985,013)	\$ -	\$ (3,985,013)
(5,237,736)	-	(5,237,736)
(1,770,756)	-	(1,770,756)
(818,621)	-	(818,621)
(325,662)	-	(325,662)
<u>(12,137,788)</u>	<u>-</u>	<u>(12,137,788)</u>
-	2,061,506	2,061,506
-	(141,704)	(141,704)
<u>-</u>	<u>1,919,802</u>	<u>1,919,802</u>
<u>(12,137,788)</u>	<u>1,919,802</u>	<u>(10,217,986)</u>
747,035	-	747,035
9,493,028	192,356	9,685,384
413,137	-	413,137
279,751	-	279,751
15,940	-	15,940
42,771	7,347	50,118
80,626	-	80,626
108,188	96	108,284
757,763	(757,763)	-
<u>11,938,239</u>	<u>(557,964)</u>	<u>11,380,275</u>
<u>-</u>	<u>307,348</u>	<u>307,348</u>
(199,549)	1,669,186	1,469,637
<u>11,487,798</u>	<u>4,259,281</u>	<u>15,747,079</u>
<u>\$ 11,288,249</u>	<u>\$ 5,928,467</u>	<u>\$ 17,216,716</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**

City of Española  
Balance Sheet  
Governmental Funds  
June 30, 2016

	<u>General Fund</u>	<u>Municipal Service Improvements</u>	<u>Infrastructure Projects</u>
<b>Assets</b>			
Cash, investments, and cash equivalents	\$ 2,936,088	\$ 2,036,552	\$ 2,125,397
Other investments	170,000	-	-
Receivables:			
Property taxes	115,733	-	-
Other receivables	1,390,677	111,590	169,711
Due from other funds	1,148,505	-	-
<i>Total assets</i>	<u>\$ 5,761,003</u>	<u>\$ 2,148,142</u>	<u>\$ 2,295,108</u>
 <i>Liabilities</i>			
Accounts payable	\$ 298,115	\$ 25,163	\$ 261,689
Accrued payroll	608,197	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>906,312</u>	<u>25,163</u>	<u>261,689</u>
 <i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	98,746	-	-
<i>Total deferred inflows of resources</i>	<u>98,746</u>	<u>-</u>	<u>-</u>
 <i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal service improvements	-	2,122,979	-
Recreation	-	-	-
Fire departments	-	-	-
Tourism	-	-	-
Public safety	-	-	-
Capital projects expenditures	-	-	2,033,419
Debt service expenditures	-	-	-
Unassigned	4,755,945	-	-
<i>Total fund balances</i>	<u>4,755,945</u>	<u>2,122,979</u>	<u>2,033,419</u>
 <i>Total liabilities, deferred inflows and fund balances</i>	 <u>\$ 5,761,003</u>	 <u>\$ 2,148,142</u>	 <u>\$ 2,295,108</u>

The accompanying notes are an integral part of these financial statements.

<b>2002 Bond Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 1,830,145	\$ 1,705,264	\$ 10,633,446
-	-	170,000
-	-	115,733
-	899,230	2,571,208
-	-	1,148,505
<u>\$ 1,830,145</u>	<u>\$ 2,604,494</u>	<u>\$ 14,638,892</u>
\$ -	\$ 60,909	\$ 645,876
-	30,770	638,967
-	838,542	838,542
-	930,221	2,123,385
-	-	98,746
-	-	98,746
-	-	2,122,979
-	23,002	23,002
-	262,429	262,429
-	131,715	131,715
-	81,239	81,239
-	368,571	2,401,990
1,830,145	817,998	2,648,143
-	(10,681)	4,745,264
<u>1,830,145</u>	<u>1,674,273</u>	<u>12,416,761</u>
<u>\$ 1,830,145</u>	<u>\$ 2,604,494</u>	<u>\$ 14,638,892</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**

City of Española

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2016

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	\$	12,416,761
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		14,745,643
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to employer contributions subsequent to the measurement date		572,621
Deferred outflow of resources related to difference between expected and actual experience		130,844
Deferred outflow of resources related to changes in proportion		239,072
Deferred inflows of resources related to the net difference between actual and projected investment earnings on pension plan investments		(11,631)
Deferred inflows of resources related to changes in assumptions		(30,504)
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflow in the fund financial statements, but are considered revenue in the Statement of Activities		98,746
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(85,021)
Some liabilities, including bonds payable, loans, notes, accrued compensated absences, and the net pension liability 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		(782,083)
Current and noncurrent portions of bonds payable		(29,200)
Current and noncurrent portions of loans and notes payable		(7,766,342)
Net pension liability		(8,210,657)
<i>Total net position of governmental activities</i>	<b>\$</b>	<b><u>11,288,249</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Municipal Service Improvements</u>	<u>Infrastructure Projects</u>
<i>Revenues</i>			
Taxes			
Property	\$ 683,032	\$ -	\$ -
Gross receipts	7,762,112	-	980,915
Gasoline and motor vehicle taxes	109,660	-	-
Other	279,751	-	-
Intergovernmental income			
Federal operating grants	-	-	-
State operating grants	-	395,611	-
State capital grants	-	-	-
Charges for services	382,460	-	-
Investment income	26,788	-	-
Rental income	80,626	-	-
Miscellaneous	45,764	-	-
<i>Total revenues</i>	<u>9,370,193</u>	<u>395,611</u>	<u>980,915</u>
<i>Expenditures</i>			
Current:			
General government	3,855,696	-	-
Public safety	4,267,894	-	-
Public works	779,168	453,602	275,696
Culture and recreation	841,373	-	-
Capital outlay	-	46,702	56,301
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>9,744,131</u>	<u>500,304</u>	<u>331,997</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(373,938)</u>	<u>(104,693)</u>	<u>648,918</u>
<i>Other financing sources (uses)</i>			
Transfers in	657,770	-	-
Transfers out	(547,274)	-	(765,386)
<i>Total other financing sources (uses)</i>	<u>110,496</u>	<u>-</u>	<u>(765,386)</u>
<i>Net change in fund balances</i>	(263,442)	(104,693)	(116,468)
<i>Fund balance - beginning of year</i>	<u>5,019,387</u>	<u>2,227,672</u>	<u>2,149,887</u>
<i>Fund balance - end of year</i>	<u>\$ 4,755,945</u>	<u>\$ 2,122,979</u>	<u>\$ 2,033,419</u>

The accompanying notes are an integral part of these financial statements.

<u>2002 Bond Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 683,032
-	750,001	9,493,028
-	303,477	413,137
-	15,940	295,691
-	61,982	61,982
-	397,531	793,142
-	586,469	586,469
-	11,016	393,476
8,951	7,032	42,771
-	-	80,626
-	62,424	108,188
8,951	2,195,872	12,951,542
-	-	3,855,696
-	1,205,968	5,473,862
-	618,781	2,127,247
-	86,059	927,432
-	457,223	560,226
430,000	399,918	829,918
234,908	98,891	333,799
664,908	2,866,840	14,108,180
(655,957)	(670,968)	(1,156,638)
728,288	726,636	2,112,694
-	(42,271)	(1,354,931)
728,288	684,365	757,763
72,331	13,397	(398,875)
1,757,814	1,660,876	12,815,636
\$ 1,830,145	\$ 1,674,273	\$ 12,416,761

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**

City of Española

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, 2016

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	\$	(398,875)
--	----	-----------

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		560,226
Depreciation expense		(835,212)

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		64,003
--	--	--------

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		8,137
Decrease in accrued compensated absences		4,105
Principal payments on bonds, notes, and loans payable		829,918

Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

City pension contributions		572,621
Pension expense		(1,004,472)

<i>Change in net position of governmental activities</i>	<u>\$</u>	<u>(199,549)</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 Española

General Fund

## Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 654,561	\$ 654,561	\$ 698,200	\$ 43,639
Gross receipts	7,685,179	7,685,179	7,735,918	50,739
Gas and motor vehicle	102,784	102,784	110,359	7,575
Other	310,096	310,096	270,545	(39,551)
Charges for services	25,398	25,398	18,102	(7,296)
Licenses and fees	372,583	372,583	364,358	(8,225)
Investment income	16,206	16,206	26,788	10,582
Rental income	80,365	80,365	80,626	261
Miscellaneous	10,551	10,551	39,452	28,901
<i>Total revenues</i>	<u>9,257,723</u>	<u>9,257,723</u>	<u>9,344,348</u>	<u>86,625</u>
<i>Expenditures</i>				
Current:				
General government	3,835,940	3,835,940	3,475,067	360,873
Public safety	4,266,759	4,266,759	4,384,970	(118,211)
Public works	1,001,067	1,001,067	804,056	197,011
Culture and recreation	987,020	987,020	873,651	113,369
Capital outlay	-	-	-	-
Debt service:				
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,090,786</u>	<u>10,090,786</u>	<u>9,537,744</u>	<u>553,042</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(833,063)</u>	<u>(833,063)</u>	<u>(193,396)</u>	<u>639,667</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	625,345	625,345	-	(625,345)
Transfers in	670,720	670,720	657,770	(12,950)
Transfers out	(463,002)	(463,002)	(547,274)	(84,272)
<i>Total other financing sources (uses)</i>	<u>833,063</u>	<u>833,063</u>	<u>110,496</u>	<u>(722,567)</u>
<i>Net change in fund balance</i>	-	-	(82,900)	(82,900)
<i>Fund balance - beginning of year</i>	-	-	4,337,493	4,337,493
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,254,593</u>	<u>\$ 4,254,593</u>
Net change in fund balance (Non-GAAP basis)				\$ (82,900)
Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income				25,845
Adjustments to expenditures for salaries, professional services, and supplies				(206,387)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (263,442)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Exhibit C-2

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	679,416	679,416	657,760	(21,656)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>679,416</u>	<u>679,416</u>	<u>657,760</u>	<u>(21,656)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	617,974	617,974	307,081	310,893
Culture and recreation	-	-	-	-
Capital outlay	279,442	279,442	220,580	58,862
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>897,416</u>	<u>897,416</u>	<u>527,661</u>	<u>369,755</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(218,000)</u>	<u>(218,000)</u>	<u>130,099</u>	<u>348,099</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	218,000	218,000	-	(218,000)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>218,000</u>	<u>218,000</u>	<u>-</u>	<u>(218,000)</u>
<i>Net change in fund balance</i>	-	-	130,099	130,099
<i>Fund balance - beginning of year</i>	-	-	1,906,453	1,906,453
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,036,552</u>	<u>\$ 2,036,552</u>
Net change in fund balance (Non-GAAP basis)				\$ 130,099
Adjustments to revenues state operating grants				(262,149)
Adjustments to expenditures for professional services				27,357
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (104,693)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**

City of Española

Statement of Net Position

Proprietary Funds

June 30, 2016

	<b>Enterprise Funds</b>		
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash, investments, and cash equivalents	\$ 2,003,984	\$ -	\$ 2,003,984
Other investments	58,929	-	58,929
Other receivables	-	28,279	28,279
Customer receivables, net	853,197	207,992	1,061,189
<i>Total current assets</i>	<u>2,916,110</u>	<u>236,271</u>	<u>3,152,381</u>
Noncurrent assets			
Restricted cash and cash equivalents	382,543	-	382,543
Capital assets	16,658,763	-	16,658,763
Less: accumulated depreciation	(6,521,600)	-	(6,521,600)
<i>Total noncurrent assets</i>	<u>10,519,706</u>	<u>-</u>	<u>10,519,706</u>
<b>Deferred outflows of resources</b>			
Employer contributions subsequent to the measurement date	91,449	-	91,449
Difference between expected and actual experience	19,699	-	19,699
Changes in proportion	35,992	-	35,992
<i>Total deferred outflows of resources</i>	<u>147,140</u>	<u>-</u>	<u>147,140</u>
<i>Total assets and deferred outflows of resources</i>	<u><u>\$ 13,582,956</u></u>	<u><u>\$ 236,271</u></u>	<u><u>\$ 13,819,227</u></u>

The accompanying notes are an integral part of these financial statements.

	<b>Enterprise Funds</b>		
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 55,558	\$ 55,323	\$ 110,881
Accrued payroll	80,546	-	80,546
Interfund payable	-	309,963	309,963
Accrued interest payable	63,533	-	63,533
Bonds payable	19,383	-	19,383
Loans and notes payable	631,579	-	631,579
Accrued compensated absences	55,367	-	55,367
<i>Total current liabilities</i>	<u>905,966</u>	<u>365,286</u>	<u>1,271,252</u>
Noncurrent liabilities			
Bonds payable	682,125	-	682,125
Loans payable	4,374,967	-	4,374,967
Accrued compensated absences	41,475	-	41,475
Accrued landfill closure costs	-	233,750	233,750
Net pension liability	1,269,986	-	1,269,986
<i>Total noncurrent liabilities</i>	<u>6,368,553</u>	<u>233,750</u>	<u>6,602,303</u>
<i>Total liabilities</i>	<u>7,274,519</u>	<u>599,036</u>	<u>7,873,555</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual investment earnings on pension plan investments	12,351	-	12,351
Change in assumptions	4,854	-	4,854
<i>Total deferred inflows of resources</i>	<u>17,205</u>	<u>-</u>	<u>17,205</u>
<b>Net position</b>			
Net investment in capital assets	4,429,109	-	4,429,109
Restricted for:			
Debt service	382,543	-	382,543
Unrestricted	1,479,580	(362,765)	1,116,815
<i>Total net position</i>	<u>6,291,232</u>	<u>(362,765)</u>	<u>5,928,467</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 13,582,956</u>	<u>\$ 236,271</u>	<u>\$ 13,819,227</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
City of Española  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2016

Exhibit D-2

	<b>Enterprise Funds</b>		
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>
<i>Operating revenues</i>			
Charges for services net of allowances of \$44,260 and \$10,790 respectively	\$ 5,429,144	\$ 770,567	\$ 6,199,711
<i>Total operating revenues</i>	<u>5,429,144</u>	<u>770,567</u>	<u>6,199,711</u>
<i>Operating expenses</i>			
Payroll and benefits	1,404,531	-	1,404,531
Contractual services	335,504	773,463	1,108,967
Supplies and services	455,738	138,808	594,546
Repairs and maintenance	164,755	-	164,755
Utilities	510,336	-	510,336
Depreciation	360,182	-	360,182
<i>Total operating expenses</i>	<u>3,231,046</u>	<u>912,271</u>	<u>4,143,317</u>
<i>Operating income</i>	<u>2,198,098</u>	<u>(141,704)</u>	<u>2,056,394</u>
<i>Non-operating revenues (expenses)</i>			
Gross receipts taxes	-	192,356	192,356
Interest expense	(136,592)	-	(136,592)
Investment income	7,347	-	7,347
Miscellaneous income	96	-	96
<i>Total non-operating revenues (expenses)</i>	<u>(129,149)</u>	<u>192,356</u>	<u>63,207</u>
<i>Income before contributions and transfers</i>	<u>2,068,949</u>	<u>50,652</u>	<u>2,119,601</u>
Transfers in	533,212	-	533,212
Transfers out	(1,223,421)	(67,554)	(1,290,975)
<i>Total contributions and transfers</i>	<u>(690,209)</u>	<u>(67,554)</u>	<u>(757,763)</u>
<i>Income before special item</i>	<u>-</u>	<u>124,802</u>	<u>124,802</u>
Special item - decrease in landfill liability (see note 13)	<u>-</u>	<u>307,348</u>	<u>307,348</u>
<i>Change in net position</i>	<u>1,378,740</u>	<u>290,446</u>	<u>1,669,186</u>
<i>Net position - beginning of year</i>	<u>4,912,492</u>	<u>(653,211)</u>	<u>4,259,281</u>
<i>Net position - end of year</i>	<u>\$ 6,291,232</u>	<u>\$ (362,765)</u>	<u>\$ 5,928,467</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016

Exhibit D-3  
Page 1 of 2

	<b>Enterprise Funds</b>		
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 5,032,957	\$ 671,599	\$ 5,704,556
Cash payments to employees for services	(1,291,915)	-	(1,291,915)
Cash payments to suppliers for goods and services	(1,520,009)	(894,392)	(2,414,401)
<i>Net cash provided (used) by operating activities</i>	<u>2,221,033</u>	<u>(222,793)</u>	<u>1,998,240</u>
<i>Cash flows from noncapital financing activities</i>			
Gross receipts taxes	-	192,947	192,947
Interfund transfers (net)	(1,223,421)	(67,554)	(1,290,975)
Interfund loans (repaid) received	533,212	97,400	630,612
<i>Net cash (used) provided by noncapital financing activities</i>	<u>(690,209)</u>	<u>222,793</u>	<u>(467,416)</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition of capital assets	(162,203)	-	(162,203)
Miscellaneous income	96	-	96
Interest paid	(141,943)	-	(141,943)
Principal payments on bonds and loans	(638,966)	-	(638,966)
<i>Net cash (used) by capital and related financing activities</i>	<u>(943,016)</u>	<u>-</u>	<u>(943,016)</u>
<i>Cash flows from investing activities</i>			
Investment income	7,347	-	7,347
<i>Net cash provided by investing activities</i>	<u>7,347</u>	<u>-</u>	<u>7,347</u>
<i>Net increase in cash and cash equivalents</i>	595,155	-	595,155
<i>Cash and cash equivalents - beginning of year</i>	<u>1,791,372</u>	<u>-</u>	<u>1,791,372</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 2,386,527</u>	<u>\$ -</u>	<u>\$ 2,386,527</u>
<i>Per Exhibit D-1</i>			
Cash, investments, and cash equivalents	\$ 2,003,984	\$ -	\$ 2,003,984
Restricted cash and cash equivalents	382,543	-	382,543
<i>Total</i>	<u>\$ 2,386,527</u>	<u>\$ -</u>	<u>\$ 2,386,527</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
City of Española  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water and Wastewater</u>	<u>Solid Waste</u>	
<i>Reconciliation of operating income to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 2,198,098	\$ (141,704)	\$ 2,056,394
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	360,182	-	360,182
Noncash pension expense	156,465	-	156,465
Employer pension contributions	(91,449)	-	(91,449)
Changes in assets and liabilities:			
Receivables	(396,187)	(98,968)	(495,155)
Accounts payable	(53,676)	17,879	(35,797)
Accrued payroll	43,896	-	43,896
Compensated absences	3,704	-	3,704
<i>Net cash provided (used) by operating activities</i>	<u>\$ 2,221,033</u>	<u>\$ (222,793)</u>	<u>\$ 1,998,240</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
City of Española  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2016

Exhibit E-1

<i>Assets</i>	
Cash	\$ 379,968
Investments	<u>43,000</u>
<i>Total assets</i>	<u><u>\$ 422,968</u></u>
 <i>Liabilities</i>	
Bond deposits payable	\$ 88,907
Due to other entities	<u>334,061</u>
<i>Total liabilities</i>	<u><u>\$ 422,968</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

The City of Española (the City) was incorporated under the provisions of Chapter 3, Article 2 NMS 1978. 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 Española 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, 2016, the City adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statements Nos. 72, 76, and 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016. Other than GASB No. 72 described below, the other new statements did not significantly impact the City's financial statements for fiscal year ending June 30, 2016.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

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

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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.

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.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

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

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

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. 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, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets deferred outflows of resources, liabilities, and deferred inflow of resources resulting from nonexchange transaction should be recognized in accordance with the requirements of the Governmental Accounting Standards Board codification N50 (GASBS 34 paragraph 16 as amended by GASBS 63 paragraphs 7 and 8). 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.

**STATE OF NEW MEXICO**  
City of Española  
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June 30, 2016

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

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

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.

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 Española  
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**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.



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**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.

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

**STATE OF NEW MEXICO**  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities, and Net Position (continued)*

**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, 2016 totaled \$98,746.

**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.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (P.E.R.A) and additions to/deductions from P.E.R.A's fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City typically has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, unavailable revenue - property taxes is typically reported only in the governmental funds balance sheet and is discussed above.

**STATE OF NEW MEXICO**  
City of Española  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities, and Net Position (continued)*

**Deferred Inflows of Resources (continued):** In addition, the City has two types of items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between actual and projected investment earnings on pension plan investments of \$23,982, and change of assumptions of \$35,358 are reported on the Statement of Net Position. These amounts are reported as a deferred inflow and amortized into pension expense over the average remaining service life of employees.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has three types of items that qualify for reporting in this category in both the governmental and business-type activities. Accordingly, the first item -employer contributions subsequent to measurement date has been reported as a deferred outflow of resources in the amount of \$664,070. This amount is reported in the Statement of Net Position. These amounts will directly reduce the net pension liability in the next fiscal year. The other items relate to the difference between expected and actual experience of \$150,543 and changes in proportion of \$275,064. These amounts are amortized into pension expense over the average remaining service life of employees.

**Fund Balance Classification Policies and Procedures:** For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council. For assigned fund balance, the City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

**Nonspendable Fund Balance:** At June 30, 2016, the City did not have any fund balances in nonspendable form.

**Restricted Fund Balance:** At June 30, 2016, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$7,671,497 for various general government operations and debt service as restricted by enabling legislation. 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 in the amount of \$879,482.

**STATE OF NEW MEXICO**  
City of Española  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities, and Net Position (continued)*

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

- a. Net investment in capital assets: Amounts invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue, debt service, and capital projects” are described on pages 39 and 76-77.
- 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, net pension liability and related deferred inflows and outflows, and the useful lives of depreciable assets used to calculate depreciation expense.

**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.

**STATE OF NEW MEXICO**  
City of Española  
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June 30, 2016

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

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, 2016.

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.

All of the City's accounts are 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 Española  
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**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, 2016, \$9,636,845 of the City’s bank balance of \$10,136,845 was subject to custodial credit risk. \$5,334,327 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$4,302,518 of the City’s deposits were uninsured and uncollateralized at June 30, 2016.

	<b>Century Bank</b>
Amount of deposits	\$ 10,136,845
FDIC Coverage	(500,000)
Total uninsured public funds	9,636,845
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,334,327
Uninsured and uncollateralized	\$ 4,302,518
Collateral requirement (50% of uninsured funds)	\$ 4,818,423
Pledged Collateral	5,334,327
Over (Under) collateralized	\$ 515,904

The collateral pledged is listed on Schedule IV 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**  
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**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position:

Cash, investments, and cash equivalents per Exhibit A-1	\$ 10,708,534
Other investments per Exhibit A-1	228,929
Restricted cash and cash equivalents per Exhibit A-1	2,311,439
Agency funds cash and investments per Exhibit E-1	422,968
Plus outstanding checks and other reconciling items	701,040
Less deposits in transit	(183,556)
Less U.S. Treasury Money Market Mutual Funds held with LGIP	(1,778,674)
Less U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque	(382,524)
Less U.S. Treasury Money Market Mutual Funds held with NMFA	(1,928,915)
Less petty cash	(586)
Add returned checks	<u>38,190</u>
 Bank balance of deposits	 <u><u>\$ 10,136,845</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, 2016, 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.

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**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, 2016. Each fund reports its share of the pooled cash and investments at June 30, 2016; 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, 2016 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, 2016 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	WAM (F) 77 day	\$ 1,778,674
U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque	Aaa **	<90 Days	382,524
U.S. Treasury Money Market Mutual Funds held with NMFA	Aaa **	<90 Days	1,928,915
			<u>\$ 4,090,113</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 44% and 56%, respectively, of the investment portfolio. 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).



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

**Fair Value Measurement**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2      Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City maintained a balance of \$1,778,674 in New MexiGROWLGIP and \$2,311,439 in United States Treasury Money Market Mutual Funds, at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2016:

<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
\$ 4,090,113	\$ -	\$ -	\$ 4,090,113

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**NOTE 4. Receivables**

Receivables as of June 30, 2016, are as follows:

<b>Governmental Activities:</b>	<b>General</b>	<b>Municipal Service Improvements</b>	<b>Infrastructure Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property taxes receivable	\$ 115,733	\$ -	\$ -	\$ -	\$ 115,733
Other receivable:					
Gross receipts	1,334,026	-	169,711	78,893	1,582,630
Gasoline and motor vehicle	9,319	-	-	26,419	35,738
Franchise taxes	40,420	-	-	-	40,420
Lodger's taxes	-	-	-	1,600	1,600
Reimbursements	6,912	-	-	-	6,912
Due from other governments:					
Intergovernmental:					
Federal grants	-	-	-	61,982	61,982
State grants	-	111,590	-	730,336	841,926
Total receivables	<u>\$ 1,506,410</u>	<u>\$ 111,590</u>	<u>\$ 169,711</u>	<u>\$ 899,230</u>	<u>\$ 2,686,941</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, 2016 was \$98,746.

<b>Business-type Activities:</b>	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
Customer receivables	\$ 1,587,846	\$ 387,085	\$ 1,974,932
Other receivables:			
Gross receipts taxes	-	28,279	28,279
Total gross receivables	<u>1,587,846</u>	<u>415,364</u>	<u>2,003,211</u>
Less: allowance for doubtful accounts	<u>(734,649)</u>	<u>(179,094)</u>	<u>(913,742)</u>
Total net receivables	<u>\$ 853,197</u>	<u>\$ 236,271</u>	<u>\$ 1,089,468</u>

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

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**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	Byrne Justice Assistance Grant	\$ 10,853
General Fund	Roads and Streets	7,689
General Fund	2002 Bond Debt Service	382,061
General Fund	NMFA Debt Service	40,741
General Fund	USDA Loan / Police Department	60
General Fund	Federal W/WW Project Grant	105,870
Infrastructure Projects	Water and Wastewater	506,508
Infrastructure Projects	NMFA PPR Equipment Project Loan	258,878
Law Enforcement Protection	USDA Loan / Police Department	15,567
Lodger's Tax	Water and Wastewater	13,113
NMFA Debt Service fund Fund	Water and Wastewater	13,591
Water and Wastewater	General Fund	342,001
Water and Wastewater	General Fund	248,215
Water and Wastewater	2002 Bond Debt Service	346,227
Water and Wastewater	NMFA Debt Service	28,100
Water and Wastewater	NMFA PPR Equipment Project Loan	258,878
Solid waste	General Fund	67,554
	<b>Total</b>	<b>\$ 2,645,906</b>

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2016 is as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 1,148,505	\$ -
High Intensity Drug Trafficking Areas	-	59,563
E-911 Grant	-	48,643
NM DOT Litter Control Beautification	-	14,632
NMLA Capital Improvements Grant	-	479,106
NM DOT Grant	-	43,561
State Agency on Aging Grants	-	193,037
Solid Waste	-	309,963
	<u>\$ 1,148,505</u>	<u>\$ 1,148,505</u>

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

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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and Historical Works of Art are not subject to depreciation.

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,233,471	\$ -	\$ -	\$ 4,233,471
Historical Works of Art	27,700	-	-	27,700
Total capital assets not being depreciated	<u>4,261,171</u>	<u>-</u>	<u>-</u>	<u>4,261,171</u>
Capital assets being depreciated:				
Buildings and improvements	20,017,507	404,758	-	20,422,265
Infrastructure	4,919,762	-	-	4,919,762
Vehicles, furniture and equipment	5,446,147	155,468	-	5,601,615
Total capital assets being depreciated	<u>30,383,416</u>	<u>560,226</u>	<u>-</u>	<u>30,943,642</u>
Less accumulated depreciation:				
Buildings and improvements	11,157,259	424,917	-	11,582,176
Infrastructure	4,198,433	106,395	-	4,304,828
Vehicles, furniture and equipment	4,268,266	303,900	-	4,572,166
Total accumulated depreciation	<u>19,623,958</u>	<u>835,212</u>	<u>-</u>	<u>20,459,170</u>
Total capital assets, net of depreciation	<u>\$ 15,020,629</u>	<u>\$ (274,986)</u>	<u>\$ -</u>	<u>\$ 14,745,643</u>

Depreciation expense for the year ended June 30, 2016 was \$835,212 and was allocated to the following functions in the statement of activities as follows:

General government	\$ 148,468
Public safety	290,479
Public works	177,921
Culture and recreation	218,344
Total	<u>\$ 835,212</u>

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

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 9,858,769	\$ -	\$ -	\$ 9,858,769
Infrastructure	5,492,166	-	-	5,492,166
Vehicles, furniture and equipment	1,145,625	162,203	-	1,307,828
<b>Total capital assets being depreciated</b>	<b>16,496,560</b>	<b>162,203</b>	<b>-</b>	<b>16,658,763</b>
Less accumulated depreciation:				
Buildings and improvements	3,260,996	235,405	-	3,496,401
Infrastructure	2,119,648	63,605	-	2,183,253
Vehicles, furniture and equipment	780,774	61,172	-	841,946
<b>Total accumulated depreciation</b>	<b>6,161,418</b>	<b>360,182</b>	<b>-</b>	<b>6,521,600</b>
<b>Total capital assets, net of depreciation</b>	<b>\$ 10,335,142</b>	<b>\$ (197,979)</b>	<b>\$ -</b>	<b>\$ 10,137,163</b>

Depreciation expense totaling \$360,182 was charged to water and wastewater fund for fiscal year ending June 30, 2016.

**NOTE 7. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
NMFA Loans	\$ 8,416,988	\$ -	\$ 763,104	\$ 7,653,884	\$ 795,245
Law Enforcement Bonds	43,000	-	13,800	29,200	14,400
Capital Lease	165,472	-	53,014	112,458	55,129
Compensated Absences	786,188	304,435	308,540	782,083	308,540
<b>Total Long-Term Debt</b>	<b>\$ 9,411,648</b>	<b>\$ 304,435</b>	<b>\$ 1,138,458</b>	<b>\$ 8,577,625</b>	<b>\$ 1,173,314</b>

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**NOTE 7. Long-term Debt (continued)**

**Revenue Bonds**

At June 30, 2016, 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:

<u>Revenue Bonds Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
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, 2016, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 14,400	\$ 1,220	\$ 15,620
2018	14,800	820	15,620
	<u>\$ 29,200</u>	<u>\$ 2,040</u>	<u>\$ 31,240</u>

**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>NMFA Loan 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, 2016, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 795,245	\$ 286,443	\$ 1,081,688
2018	722,542	259,489	982,031
2019	710,000	233,297	943,297
2020	735,000	207,993	942,993
2021	760,000	180,886	940,886
2022-2026	3,840,000	417,363	4,257,363
2027	91,097	3,181	94,278
	<u>\$ 7,653,884</u>	<u>\$ 1,588,652</u>	<u>\$ 9,242,536</u>

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**NOTE 7. Long-term Debt (continued)**

**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>
2017	\$ 55,129	\$ 4,487	\$ 59,616
2018	57,329	2,287	59,616
	<u>\$ 112,458</u>	<u>\$ 6,774</u>	<u>\$ 119,232</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, 2016, compensated absences decreased by \$4,105 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**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, 2016:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
NMFA Loans	\$ 363,185	\$ -	\$ 101,018	\$ 262,167	\$ 101,685
RUS Loans	719,952	-	18,444	701,508	19,383
NMED Loans	5,263,883	-	519,504	4,744,379	529,894
Landfill Closure Liability	541,098	-	307,348	233,750	-
Compensated Absences	93,138	59,071	55,367	96,842	55,367
Total Long-Term Debt	<u>\$ 6,981,256</u>	<u>\$ 59,071</u>	<u>\$ 1,001,681</u>	<u>\$ 6,038,646</u>	<u>\$ 706,329</u>

**Revenue Bonds**

At June 30, 2016, the City had the following revenue bonds outstanding:

<u>Revenue Bonds Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
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.

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**NOTE 7. Long-term Debt (continued)**

The annual requirements to amortize the revenue bonds as of June 30, 2016, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 19,383	\$ 35,652	\$ 55,035
2018	20,370	34,665	55,035
2019	21,408	33,627	55,035
2020	22,499	32,536	55,035
2021	23,645	31,390	55,035
2022-2026	137,573	137,602	275,175
2027-2031	176,376	98,799	275,175
2032-2036	226,125	49,050	275,175
2037	54,129	906	55,035
	<u>\$ 701,508</u>	<u>\$ 454,227</u>	<u>\$ 1,155,735</u>

**Notes Payable**

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
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 and NMED loans as of June 30, 2016, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 631,579	\$ 95,964	\$ 727,543
2018	553,682	84,691	638,373
2019	315,144	73,848	388,992
2020	321,216	67,776	388,992
2021	327,409	61,584	388,993
2022-2026	1,734,328	210,637	1,944,965
2027-2029	1,123,188	43,791	1,166,979
	<u>\$ 5,006,546</u>	<u>\$ 638,291</u>	<u>\$ 5,644,837</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, 2016, compensated absences increased by \$3,704 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.



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**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 is party to various claims and lawsuits arising in the normal course of business. The maximum exposure of the City is not estimable as of June 30, 2016

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, 2016, 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.

**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, 2016:

**Governmental funds**

E-911 Grant	\$ (1,583)
Road and Streets	(3,224)
Federal W/WW Project Grant	<u>(5,874)</u>
Total	<u>\$ (10,681)</u>

**Enterprise fund**

Solid Waste	<u>\$ (362,765)</u>
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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, 2016:

	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Exceeded</u>
Library Grant Special Revenue Fund	\$ 35,552	\$ 41,461	\$ 5,909
Lodgers Tax Promotional Special Revenue Fund	\$ 2,000	\$ 5,000	\$ 3,000
Solid Waste Fund	\$ 840,083	\$ 912,271	\$ 72,188
2002 Bond Debt Service Fund	\$ 660,570	\$ 664,908	\$ 4,338

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, 2016.

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

**General Information about the Pension Plan**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the City of Espanola are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf).

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. City of Espanola's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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**NOTE 10. Pension Plan - Public Employees Retirement Association (continued)**

**General Information about the Pension Plan (continued)**

**Employer Pickup**

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS68 for fiscal year ending June 30, 2016 amounts paid by the City to satisfy member contributions requirements in the previous year totaling \$400,404 have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**Reallocation of Deferred Amounts**

Due to Changes in proportion in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$100,512 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**For PERA Fund Municipal General Division**, at June 30, 2016, City of Espanola reported a liability of \$4,689,079 for its proportionate share of the net pension liability. At June 30, 2015, City of Espanola's proportion was .4599% percent, which was an increase from its proportion measured as of June 30, 2014 of .04295 percent.

For the year ended June 30, 2016, City of Espanola recognized PERA Fund Municipal General Division pension expense of \$235,505. At June 30, 2017, City of Espanola reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change of assumptions	\$ -	\$ 1,827
Changes in proportion	181,087	-
Difference between expected and actual experience	-	103,865
Net difference between projected and actual earnings on pension plan investments	-	14,833
Contributions subsequent to the measurement date	360,500	-
	<u>\$ 541,587</u>	<u>\$ 120,525</u>

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**NOTE 10. Pension Plan - Public Employees Retirement Association (continued)**

**General Information about the Pension Plan (continued)**

\$360,500 reported as deferred outflows of resources related to pensions resulting from City of Espanola's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 68,130
2018	68,130
2019	68,130
2020	(264,952)
Thereafter	-

**For PERA Fund Municipal Police Division**, at June 30, 2016, City of Espanola reported a liability of \$2,154,716 for its proportionate share of the net pension liability. At June 30, 2015, City of Espanola's proportion was 0.4481 percent, which decreased by 0.4526 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, City of Espanola recognized PERA Fund Municipal Police Division pension expense of \$139,220. At June 30, 2016, City of Espanola reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 89,145
Changes in proportion	-	11,202
Difference between expected and actual experience	150,563	-
Net difference between projected and actual earnings on pension plan investments	-	5,977
Contributions subsequent to the measurement date	171,462	-
	<u>\$ 322,025</u>	<u>\$ 106,324</u>

\$171,462 reported as deferred outflows of resources related to pensions resulting from City of Espanola's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 21,815
2018	21,815
2019	21,815
2020	(109,684)
Thereafter	-

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 10. Pension Plan - Public Employees Retirement Association (continued)**

**General Information about the Pension Plan (continued)**

**For PERA Fund Municipal Fire Division**, at June 30, 2016, City of Espanola reported a liability of \$2,636,848 for its proportionate share of the net pension liability. At June 30, 2015, City of Espanola's proportion was 0.5109 percent, which was an increase from its proportion measured as of June 30, 2014 of 0.4779 percent.

For the year ended June 30, 2016, City of Espanola recognized PERA Fund Municipal Fire Division pension expense of \$285,294. At June 30, 2016, City of Espanola reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 55,614	\$ -
Changes in proportion	105,179	-
Difference between expected and actual experience	103,845	-
Net difference between projected and actual earnings on pension plan investments	-	3,172
Contributions subsequent to the measurement date	132,108	-
	\$ 396,746	\$ 3,172

\$132,108 reported as deferred outflows of resources related to pensions resulting from City of Espanola's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (63,875)
2018	(63,875)
2019	(63,875)
2020	(69,841)
Thereafter	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 10. Pension Plan - Public Employees Retirement Association (continued)**

**General Information about the Pension Plan (continued)**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumptions	RP-200 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study date	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	<u>100.00%</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 10. Pension Plan - Public Employees Retirement Association (continued)**

**General Information about the Pension Plan (continued)**

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present City of Espanola's net pension liability in each PERA Fund Division that City of Espanola participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City of Española's proportionate share of the net pension liability	\$ 7,983,641	\$ 4,689,079	\$ 1,949,875
 <b>PERA Fund Municipal Police Division</b>			
<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City of Española's proportionate share of the net pension liability	\$ 3,558,384	\$ 2,154,716	\$ 1,003,233
 <b>PERA Fund Municipal Fire Division</b>			
<b>PERA Fund Municipal Fire Division</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City of Española's proportionate share of the net pension liability	\$ 3,576,219	\$ 2,636,848	\$ 1,862,679

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** There were no unpaid contractually required employer contributions outstanding to PERA at June 30, 2016. Contractually required contributions are remitted to PERA monthly for the previous month's withholdings. Accrued payroll includes the employer's portion of retirement contributions related to employee services as of June 30, 2016 but paid in July 2016.

**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.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

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

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, 2016, 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, 2016, 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, 2014, 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, 2016, 2015, and 2014 were \$112,483, \$112,073, and \$106,237, respectively which equal the required contributions for each year.

**NOTE 12. 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.



**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 13. 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 \$233,750 as of June 30, 2016. 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.

During fiscal year 2016 management changed its estimated cost for closing the landfill. The estimated cost of monitoring the ground water, soil, and gas each year is estimated to be \$13,750 compared with \$30,061 in the previous year. This resulted in a \$307,348 decrease in landfill liability during fiscal year 2016. The amount is reported as a special item in the Statement of Revenues, Expenses and Changes in Net Position at Exhibit D-2.

**NOTE 14. Subsequent Events**

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 8, 2016, which is the date on which the financial statements were issued.

**NOTE 15. 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 16. Restricted Position**

The government-wide statement of net position reports \$8,054,040 of restricted net position all of which is restricted by enabling legislation. See pages 39 and 76-77 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

**NOTE 17. Subsequent Pronouncements**

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City expects this pronouncement to have a material effect on the City's financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Notes to the Financial Statements  
June 30, 2016

**NOTE 17. Subsequent Pronouncements (continued)**

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The County will implement this standard during the fiscal year ended June 30, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14 was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 Irrevocable Split-Interest Agreements was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83 Certain Asset Retirement Obligations was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO

City of Española

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal General Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2016 Measurement Date As of and for the Year Ended June 30, 2015</b>	<b>2015 Measurement Date As of and for the Year Ended June 30, 2014</b>
City of Española's proportion of the net pension liability	0.4550%	0.4295%
City of Española's proportionate share of the net pension liability	\$ 4,689,079	\$ 3,350,561
City of Española's covered-employee payroll	\$ 3,796,076	\$ 3,511,876
City of Española's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.52%	95.41%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**

City of Española

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Police Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2016 Measurement Date As of and for the Year Ended June 30, 2015</b>	<b>2015 Measurement Date As of and for the Year Ended June 30, 2014</b>
City of Española's proportion of the net pension liability	0.4481%	0.4526%
City of Española's proportionate share of the net pension liability	\$ 2,154,716	\$ 1,475,427
City of Española's covered-employee payroll	\$ 878,776	\$ 859,517
City of Española's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.20%	171.66%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**

City of Española

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Fire Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2016 Measurement Date As of and for the Year Ended June 30, 2015</b>	<b>2015 Measurement Date As of and for the Year Ended June 30, 2014</b>
City of Española's proportion of the net pension liability	0.5109%	0.4779%
City of Española's proportionate share of the net pension liability	\$ 2,636,848	\$ 1,994,752
City of Española's covered-employee payroll	\$ 582,382	\$ 544,379
City of Española's proportionate share of the net pension liability as a percentage of its covered-employee payroll	452.77%	366.43%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Española  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal General Division  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contributions	\$ 360,500	\$ 764,181
Contributions in relation to the contractually required contribution	(360,500)	(764,181)
Contribution deficiency (excess)	\$ -	\$ -
City of Española's covered-employee payroll	\$ 3,801,920	\$ 3,796,076
Contributions as a percentage of covered-employee payroll	9.5%	20.1%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Española  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal Police Division  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contributions	\$ 171,462	\$ 165,833
Contributions in relation to the contractually required contribution	(171,462)	(165,833)
Contribution deficiency (excess)	\$ -	\$ -
City of Española's covered-employee payroll	\$ 907,206	\$ 878,776
Contributions as a percentage of covered-employee payroll	18.9%	18.9%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.



**STATE OF NEW MEXICO**  
City of Española  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal Fire Division  
Last 10 Fiscal Years\*

	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contributions	\$ 132,108	\$ 125,909
Contributions in relation to the contractually required contribution	(132,108)	(125,909)
Contribution deficiency (excess)	\$ -	\$ -
City of Española's covered-employee payroll	\$ 610,197	\$ 582,382
Contributions as a percentage of covered-employee payroll	21.65%	21.6%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Española will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Española  
Notes to Required Supplementary Information  
June 30, 2016

***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf).

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

See independent auditors’ report.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Española  
Nonmajor Governmental Fund Descriptions  
June 30, 2016

**SPECIAL REVENUE FUNDS**

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

**Teen Court** – To establish and account for grant funding awarded to the City by the New Mexico Department of Health for the purpose of establishing a framework of prevention strategies associated with alcohol, tobacco, and other drug abuse.

**Weed and Seed Grant** – To establish and account for federal grant funding awarded to the City for the maintenance of land. This fund was authorized by City Council.

**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.

**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.

**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. This fund was authorized by City Council.

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

**High Intensity Drug Trafficking Areas** – To account for federal grant funds provided to the City to address drug trafficking in specially designated areas. This fund was authorized by City Council.

**E-911 Grant** – To account for monies received from the State of New Mexico under Section 63-9D-1 NMSA 1978 for the enhancement of the 911 Telephone Emergency System.

**Fire Protection** – To account for the operation and maintenance of the City's fire district received pursuant to Section 59A-53-2 NMSA 1978.

**Roads and Streets** – To account for funds used to maintain roads for which the City has responsibility. Financing sources include motor vehicle registration fees and gasoline taxes pursuant to Section 7-13-1 NMSA 1978.

**Law Enforcement Protection** – To account for a grant from the State of New Mexico used for the purchase and repair of equipment as well as training for police personnel pursuant to Section 29-13-7 NMSA 1978

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

**STATE OF NEW MEXICO**  
City of Española  
Nonmajor Governmental Fund Descriptions  
June 30, 2016

**SPECIAL REVENUE FUNDS (CONTINUE)**

**Lodgers' 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**

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

**NM DOT Grant** – To account for grants received from the State of New Mexico's Department of Transportation.

**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 Española  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	<b>Special Revenue</b>			
	<b>Recreation</b>	<b>Teen Court</b>	<b>Weed and Seed Grant</b>	<b>Operation Buckle Down</b>
<i>Assets</i>				
Cash, investments, and cash equivalents	\$ 584	\$ 23,549	\$ 535	\$ 158
Receivables:				
Other receivables	-	-	-	-
<i>Total assets</i>	\$ 584	\$ 23,549	\$ 535	\$ 158
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
Recreation	584	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	23,549	-	158
Capital projects expenditures	-	-	535	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	584	23,549	535	158
<i>Total liabilities and fund balances</i>	\$ 584	\$ 23,549	\$ 535	\$ 158

The accompanying notes are an integral part of these financial statements.

**Special Revenue**

<b>Byrne Justice Assistance Grant</b>	<b>Operation DWI State Grant</b>	<b>Library Grant</b>	<b>EMS</b>	<b>Wildland Grant</b>
\$ -	\$ 3,814	\$ 46,785	\$ 7,478	\$ 29,915
-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,814</u>	<u>\$ 46,785</u>	<u>\$ 7,478</u>	<u>\$ 29,915</u>
\$ -	\$ -	\$ 4,802	\$ 190	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	4,802	190	-
-	-	-	-	-
-	-	-	-	-
-	-	41,983	-	29,915
-	3,814	-	7,288	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>3,814</u>	<u>41,983</u>	<u>7,288</u>	<u>29,915</u>
<u>\$ -</u>	<u>\$ 3,814</u>	<u>\$ 46,785</u>	<u>\$ 7,478</u>	<u>\$ 29,915</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	<b>Special Revenue</b>			
	<b>Public Safety Grants</b>	<b>High Intensity Drug Trafficking Areas</b>	<b>E-911 Grant</b>	<b>Fire Protection</b>
<i>Assets</i>				
Cash, investments, and cash equivalents	\$ 4,917	\$ -	\$ -	\$ 274,765
Receivables:				
Other receivables	-	61,982	78,893	-
<i>Total assets</i>	\$ 4,917	\$ 61,982	\$ 78,893	\$ 274,765
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 50	\$ 3,432	\$ 12,336
Accrued payroll	-	2,369	28,401	-
Due to other funds	-	59,563	48,643	-
<i>Total liabilities</i>	-	61,982	80,476	12,336
<i>Fund balances</i>				
Spendable				
Restricted for:				
Recreation	-	-	-	-
Fire departments	-	-	-	262,429
Tourism	-	-	-	-
Public safety	4,917	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	(1,583)	-
<i>Total fund balances</i>	4,917	-	(1,583)	262,429
<i>Total liabilities and fund balances</i>	\$ 4,917	\$ 61,982	\$ 78,893	\$ 274,765

The accompanying notes are an integral part of these financial statements.



**Special Revenue**

<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
\$ -	\$ 28,055	\$ 13,458	\$ 1,227	\$ 56,990
<u>26,419</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
<u>\$ 26,419</u>	<u>\$ 28,055</u>	<u>\$ 13,458</u>	<u>\$ 2,827</u>	<u>\$ 56,990</u>
\$ 29,643	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>29,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	2,827	56,990
-	28,055	13,458	-	-
-	-	-	-	-
-	-	-	-	-
<u>(3,224)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,224)</u>	<u>28,055</u>	<u>13,458</u>	<u>2,827</u>	<u>56,990</u>
<u>\$ 26,419</u>	<u>\$ 28,055</u>	<u>\$ 13,458</u>	<u>\$ 2,827</u>	<u>\$ 56,990</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>	<u>NMLA Capital Improvements Grant</u>
<i>Assets</i>				
Cash, investments, and cash equivalents	\$ 27,000	\$ 38,857	\$ -	\$ -
Receivables:				
Other receivables	-	-	14,632	479,106
<i>Total assets</i>	<u>\$ 27,000</u>	<u>\$ 38,857</u>	<u>\$ 14,632</u>	<u>\$ 479,106</u>
<i>Liabilities</i>				
Accounts payable	\$ 4,582	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	14,632	479,106
<i>Total liabilities</i>	<u>4,582</u>	<u>-</u>	<u>14,632</u>	<u>479,106</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Recreation	22,418	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	38,857	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>22,418</u>	<u>38,857</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 27,000</u>	<u>\$ 38,857</u>	<u>\$ 14,632</u>	<u>\$ 479,106</u>

The accompanying notes are an integral part of these financial statements.

**Capital Projects**

<u>NM DOT Grant</u>	<u>Federal W/WW Project Grant</u>	<u>State Water Project Grants</u>	<u>State Agency on Aging Grants</u>	<u>GRT Asset Replacement</u>
\$ -	\$ -	\$ 29,205	\$ -	\$ 299,974
<u>43,561</u>	<u>-</u>	<u>-</u>	<u>193,037</u>	<u>-</u>
<u>\$ 43,561</u>	<u>\$ -</u>	<u>\$ 29,205</u>	<u>\$ 193,037</u>	<u>\$ 299,974</u>
\$ -	\$ 5,874	\$ -	\$ -	\$ -
-	-	-	-	-
<u>43,561</u>	<u>-</u>	<u>-</u>	<u>193,037</u>	<u>-</u>
<u>43,561</u>	<u>5,874</u>	<u>-</u>	<u>193,037</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	29,205	-	299,974
-	-	-	-	-
<u>-</u>	<u>(5,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(5,874)</u>	<u>29,205</u>	<u>-</u>	<u>299,974</u>
<u>\$ 43,561</u>	<u>\$ -</u>	<u>\$ 29,205</u>	<u>\$ 193,037</u>	<u>\$ 299,974</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	<b>Debt Service</b>			
	<b>NMFA Debt Service</b>	<b>Trust Service Fund</b>	<b>NMFA PPR Equipment Project Loan</b>	<b>USDA Loan / Police Department</b>
<i>Assets</i>				
Cash, investments, and cash equivalents	\$ 208,272	\$ 3	\$ 609,723	\$ -
Receivables:				
Other receivables	-	-	-	-
<i>Total assets</i>	\$ 208,272	\$ 3	\$ 609,723	\$ -
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
Recreation	-	-	-	-
Fire departments	-	-	-	-
Tourism	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	208,272	3	609,723	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	208,272	3	609,723	-
<i>Total liabilities and fund balances</i>	\$ 208,272	\$ 3	\$ 609,723	\$ -

The accompanying notes are an integral part of these financial statements.

<b>Total Nonmajor Governmental Funds</b>	
\$	1,705,264
	<u>899,230</u>
\$	<u><u>2,604,494</u></u>
\$	60,909
	30,770
	<u>838,542</u>
	<u><u>930,221</u></u>
	23,002
	262,429
	131,715
	81,239
	368,571
	817,998
	<u>(10,681)</u>
	<u>1,674,273</u>
\$	<u><u>2,604,494</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	<b>Special Revenue</b>			
	<b>Recreation</b>	<b>Teen Court</b>	<b>Weed and Seed Grant</b>	<b>Operation Buckle Down</b>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	19,083	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	19,083	-	-
<i>Expenditures</i>				
Current:				
Public safety	-	12,501	-	-
Public works	-	-	-	-
Culture and recreation	1	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1	12,501	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	(1)	6,582	-	-
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	(1)	6,582	-	-
<i>Fund balances - beginning of year</i>	585	16,967	535	158
<i>Fund balances - end of year</i>	\$ 584	\$ 23,549	\$ 535	\$ 158

The accompanying notes are an integral part of these financial statements.

**Special Revenue**

<b>Byrne Justice Assistance Grant</b>	<b>Operation DWI State Grant</b>	<b>Library Grant</b>	<b>EMS</b>	<b>Wildland Grant</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	80,249	11,249	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	80,249	11,249	-
10,853	-	-	13,977	-
-	-	-	-	-
-	-	45,464	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,853	-	45,464	13,977	-
(10,853)	-	34,785	(2,728)	-
10,853	-	-	-	-
-	-	-	-	-
10,853	-	-	-	-
-	-	34,785	(2,728)	-
-	3,814	7,198	10,016	29,915
\$ -	\$ 3,814	\$ 41,983	\$ 7,288	\$ 29,915

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	<b>Special Revenue</b>			
	<b>Public Safety Grants</b>	<b>High Intensity Drug Trafficking Areas</b>	<b>E-911 Grant</b>	<b>Fire Protection</b>
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ 750,001	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	61,982	-	-
State operating grants	-	-	-	262,103
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	2,106	189
Miscellaneous	-	-	37,650	1,250
<i>Total revenues</i>	<u>-</u>	<u>61,982</u>	<u>789,757</u>	<u>263,542</u>
<i>Expenditures</i>				
Current:				
Public safety	-	61,982	958,786	133,361
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	53,014
Interest	-	-	-	6,602
<i>Total expenditures</i>	<u>-</u>	<u>61,982</u>	<u>958,786</u>	<u>192,977</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(169,029)</u>	<u>70,565</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(169,029)	70,565
<i>Fund balances - beginning of year</i>	<u>4,917</u>	<u>-</u>	<u>167,446</u>	<u>191,864</u>
<i>Fund balances - end of year</i>	<u>\$ 4,917</u>	<u>\$ -</u>	<u>\$ (1,583)</u>	<u>\$ 262,429</u>

The accompanying notes are an integral part of these financial statements.



**Special Revenue**

<u>Roads and Streets</u>	<u>Law Enforcement Protection</u>	<u>Fire Discretionary</u>	<u>Lodgers' Tax</u>	<u>Lodgers' Tax Promotional</u>
\$ -	\$ -	\$ -	\$ -	\$ -
303,477	-	-	-	-
-	-	-	-	-
-	-	-	15,940	-
-	-	-	-	-
-	-	-	-	-
2,551	-	-	-	-
-	-	-	-	-
-	-	-	-	-
306,028	-	-	15,940	-
-	14,508	-	-	-
346,318	-	-	-	-
-	-	-	-	5,000
6,626	-	-	-	-
-	-	-	-	-
-	-	-	-	-
352,944	14,508	-	-	5,000
(46,916)	(14,508)	-	15,940	(5,000)
7,689	-	-	-	-
-	(15,567)	-	(13,113)	-
7,689	(15,567)	-	(13,113)	-
(39,227)	(30,075)	-	2,827	(5,000)
36,003	58,130	13,458	-	61,990
\$ (3,224)	\$ 28,055	\$ 13,458	\$ 2,827	\$ 56,990

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Fiesta Council</u>	<u>U.S. Bureau of Reclamation</u>	<u>NMDOT Litter Control and Beautification</u>	<u>NMLA Capital Improvements Grant</u>
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	-	24,847	-
State capital grants	-	-	-	349,871
Charges for services	8,465	-	-	-
Investment income	-	-	-	-
Miscellaneous	23,524	-	-	-
<i>Total revenues</i>	<u>31,989</u>	<u>-</u>	<u>24,847</u>	<u>349,871</u>
<i>Expenditures</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	24,847	65,730
Culture and recreation	35,594	-	-	-
Capital outlay	-	-	-	284,141
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>35,594</u>	<u>-</u>	<u>24,847</u>	<u>349,871</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(3,605)	-	-	-
<i>Fund balances - beginning of year</i>	<u>26,023</u>	<u>38,857</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 22,418</u>	<u>\$ 38,857</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**Capital Projects**

<u>NM DOT Grant</u>	<u>Federal W/WW Project Grant</u>	<u>State Water Project Grants</u>	<u>State Agency on Aging Grants</u>	<u>GRT Asset Replacement</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
43,561	-	-	193,037	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>43,561</u>	<u>-</u>	<u>-</u>	<u>193,037</u>	<u>-</u>
-	-	-	-	-
43,561	111,744	-	26,581	-
-	-	-	-	-
-	-	-	166,456	-
-	-	-	-	-
-	-	-	-	-
<u>43,561</u>	<u>111,744</u>	<u>-</u>	<u>193,037</u>	<u>-</u>
-	(111,744)	-	-	-
-	105,870	-	-	-
-	-	-	-	-
-	<u>105,870</u>	-	-	-
-	(5,874)	-	-	-
-	-	29,205	-	299,974
<u>\$ -</u>	<u>\$ (5,874)</u>	<u>\$ 29,205</u>	<u>\$ -</u>	<u>\$ 299,974</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	<b>Debt Service</b>			
	<b>NMFA Debt Service</b>	<b>Trust Service Fund</b>	<b>NMFA PPR Equipment Project Loan</b>	<b>USDA Loan / Police Department</b>
<i>Revenues</i>				
<i>Taxes</i>				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental income:</i>				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	545	-	4,192	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>545</u>	<u>-</u>	<u>4,192</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current:</i>				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	33,104	-	300,000	13,800
Interest	7,149	-	83,313	1,827
<i>Total expenditures</i>	<u>40,253</u>	<u>-</u>	<u>383,313</u>	<u>15,627</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(39,708)</u>	<u>-</u>	<u>(379,121)</u>	<u>(15,627)</u>
<i>Other financing sources (uses)</i>				
Transfers in	68,841	-	517,756	15,627
Transfers out	(13,591)	-	-	-
<i>Total other financing sources (uses)</i>	<u>55,250</u>	<u>-</u>	<u>517,756</u>	<u>15,627</u>
<i>Net change in fund balances</i>	15,542	-	138,635	-
<i>Fund balances - beginning of year</i>	<u>192,730</u>	<u>3</u>	<u>471,088</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 208,272</u>	<u>\$ 3</u>	<u>\$ 609,723</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

<b>Total Nonmajor Governmental Funds</b>	
<hr/>	
\$	750,001
	303,477
	15,940
	61,982
	397,531
	586,469
	11,016
	7,032
	62,424
	<hr/>
	2,195,872
	<hr/>
	1,205,968
	618,781
	86,059
	457,223
	399,918
	98,891
	<hr/>
	2,866,840
	<hr/>
	(670,968)
	<hr/>
	726,636
	(42,271)
	<hr/>
	684,365
	<hr/>
	13,397
	1,660,876
	<hr/>
\$	1,674,273
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The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-1

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	100	100	-	(100)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	100	100	1	99
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>100</u>	<u>100</u>	<u>1</u>	<u>99</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</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>(1)</u>	<u>(1)</u>
<i>Fund balance- beginning of year</i>	<u>-</u>	<u>-</u>	<u>585</u>	<u>585</u>
<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)				\$ (1)
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (1)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-2

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	20,808	20,808	19,083	(1,725)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,808</u>	<u>20,808</u>	<u>19,083</u>	<u>(1,725)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	20,808	20,808	12,501	8,307
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,808</u>	<u>20,808</u>	<u>12,501</u>	<u>8,307</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	6,582	6,582
<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>	-	-	6,582	6,582
<i>Fund balance - beginning of year</i>	-	-	16,967	16,967
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,549</u>	<u>\$ 23,549</u>
Net change in fund balance (Non-GAAP basis)				\$ 6,582
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 6,582</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-3

City of Española

Weed and Seed Grant Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>535</u>	<u>535</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535</u>	<u>\$ 535</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



## STATE OF NEW MEXICO

Statement B-4

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>158</u>	<u>158</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158</u>	<u>\$ 158</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-5

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	32,607	32,607	-	(32,607)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>32,607</u>	<u>32,607</u>	<u>-</u>	<u>(32,607)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	32,607	32,607	10,853	21,754
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,607</u>	<u>32,607</u>	<u>10,853</u>	<u>21,754</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(10,853)</u>	<u>(10,853)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	10,853	10,853
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>10,853</u>	<u>10,853</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				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-6

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,814</u>	<u>3,814</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,814</u>	<u>\$ 3,814</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-7

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	35,552	35,552	80,249	44,697
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>35,552</u>	<u>35,552</u>	<u>80,249</u>	<u>44,697</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	35,552	35,552	41,461	(5,909)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>35,552</u>	<u>35,552</u>	<u>41,461</u>	<u>(5,909)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>38,788</u>	<u>38,788</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>38,788</u>	<u>38,788</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,997</u>	<u>7,997</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,785</u>	<u>\$ 46,785</u>
Net change in fund balance (Non-GAAP basis)				\$ 38,788
No adjustments to revenues				-
Adjustments to expenditures for professional services				(4,003)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 34,785</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-8

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	11,249	11,249	11,249	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>11,249</u>	<u>11,249</u>	<u>11,249</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	18,935	18,935	16,210	2,725
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,935</u>	<u>18,935</u>	<u>16,210</u>	<u>2,725</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,686)</u>	<u>(7,686)</u>	<u>(4,961)</u>	<u>2,725</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	7,686	7,686	-	(7,686)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>7,686</u>	<u>7,686</u>	<u>-</u>	<u>(7,686)</u>
<i>Net change in fund balance</i>	-	-	(4,961)	(4,961)
<i>Fund balance - beginning of year</i>	-	-	12,439	12,439
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,478</u>	<u>\$ 7,478</u>
Net change in fund balance (Non-GAAP basis)				\$ (4,961)
No adjustments to revenues				-
Adjustments to expenditures for supplies				2,233
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (2,728)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-9

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	36,537	36,537	-	(36,537)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>36,537</u>	<u>36,537</u>	<u>-</u>	<u>(36,537)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	36,537	36,537	-	36,537
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,537</u>	<u>36,537</u>	<u>-</u>	<u>36,537</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>	-	-	29,915	29,915
<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)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-10

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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>	-	-	4,917	4,917
<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)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-11

City of Española

High Intensity Drug Trafficking Areas 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, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income:				
Federal operating grants	80,000	80,000	83,820	3,820
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>80,000</u>	<u>80,000</u>	<u>83,820</u>	<u>3,820</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	80,000	80,000	61,383	18,617
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>80,000</u>	<u>80,000</u>	<u>61,383</u>	<u>18,617</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>22,437</u>	<u>22,437</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	22,437	22,437
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(82,000)</u>	<u>(82,000)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,563)</u>	<u>\$ (59,563)</u>
Net change in fund balance (Non-GAAP basis)				\$ 22,437
Adjustments to revenues for state operating grants				(21,838)
Adjustments to expenditures for salaries and supplies				(599)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
City of Española  
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, 2016

Statement B-12

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	900,000	900,000	825,001	(74,999)
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	100	-	(100)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income (loss)	-	-	2,106	2,106
Miscellaneous	82,444	82,444	33,765	(48,679)
<i>Total revenues</i>	<u>982,444</u>	<u>982,544</u>	<u>860,872</u>	<u>(121,672)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	981,944	981,944	957,312	24,632
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>981,944</u>	<u>981,944</u>	<u>957,312</u>	<u>24,632</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>500</u>	<u>600</u>	<u>(96,440)</u>	<u>(97,040)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(500)	(600)	-	600
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(500)</u>	<u>(600)</u>	<u>-</u>	<u>600</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(96,440)</u>	<u>(96,440)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>47,797</u>	<u>47,797</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,643)</u>	<u>\$ (48,643)</u>
Net change in fund balance (Non-GAAP basis)				\$ (96,440)
Adjustments to revenues for gross receipts taxes				(71,115)
Adjustments to expenditures for salaries and repairs				(1,474)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (169,029)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
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, 2016

Statement B-13

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<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	262,183	262,183	262,103	(80)
State capital grants	-	-	-	-
Investment income (loss)	40	40	189	149
Miscellaneous	1,250	1,250	1,250	-
<i>Total revenues</i>	<u>263,473</u>	<u>263,473</u>	<u>263,542</u>	<u>69</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	251,483	251,483	127,426	124,057
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	68,533	68,533	53,014	15,519
Interest	-	-	6,602	(6,602)
<i>Total expenditures</i>	<u>320,016</u>	<u>320,016</u>	<u>187,042</u>	<u>132,974</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(56,543)</u>	<u>(56,543)</u>	<u>76,500</u>	<u>133,043</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	56,543	56,543	-	(56,543)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>56,543</u>	<u>56,543</u>	<u>-</u>	<u>(56,543)</u>
<i>Net change in fund balance</i>	-	-	76,500	76,500
<i>Fund balance - beginning of year</i>	-	-	198,265	198,265
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,765</u>	<u>\$ 274,765</u>
Net change in fund balance (Non-GAAP basis)				\$ 76,500
No adjustments to revenues				-
Adjustments to expenditures for salaries				(5,935)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 70,565</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
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, 2016

Statement B-14

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	350,116	350,116	338,344	(11,772)
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	2,500	2,500	2,551	51
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>352,616</u>	<u>352,616</u>	<u>340,895</u>	<u>(11,721)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	303,891	303,891	299,863	4,028
Culture and recreation	-	-	-	-
Capital outlay	48,725	48,725	48,721	4
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>352,616</u>	<u>352,616</u>	<u>348,584</u>	<u>4,032</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(7,689)</u>	<u>(7,689)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	7,689	7,689
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>7,689</u>	<u>7,689</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 gasoline and motor vehicles				(34,867)
Adjustments to expenditures for repairs				(4,360)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (39,227)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-15

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	32,600	32,600	32,600	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>32,600</u>	<u>32,600</u>	<u>32,600</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	16,980	16,980	14,508	2,472
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>16,980</u>	<u>16,980</u>	<u>14,508</u>	<u>2,472</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,620</u>	<u>15,620</u>	<u>18,092</u>	<u>2,472</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(15,620)	(15,620)	(15,567)	53
<i>Total other financing sources (uses)</i>	<u>(15,620)</u>	<u>(15,620)</u>	<u>(15,567)</u>	<u>53</u>
<i>Net change in fund balance</i>	-	-	2,525	2,525
<i>Fund balance - beginning of year</i>	-	-	25,530	25,530
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,055</u>	<u>\$ 28,055</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,525
Adjustments to revenues for state operating grants				(32,600)
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (30,075)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-16

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-17

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	17,964	17,964	14,340	(3,624)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,115	1,115	-	(1,115)
<i>Total revenues</i>	<u>19,079</u>	<u>19,079</u>	<u>14,340</u>	<u>(4,739)</u>
<i>Expenditures</i>				
Current:				
General government	350	350	-	350
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>350</u>	<u>350</u>	<u>-</u>	<u>350</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>18,729</u>	<u>18,729</u>	<u>14,340</u>	<u>(4,389)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(18,729)	(18,729)	(13,113)	5,616
<i>Total other financing sources (uses)</i>	<u>(18,729)</u>	<u>(18,729)</u>	<u>(13,113)</u>	<u>5,616</u>
<i>Net change in fund balance</i>	-	-	1,227	1,227
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,227</u>	<u>\$ 1,227</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,227
Adjustments to revenues for other taxes				1,600
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 2,827</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-18

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	2,000	2,000	5,000	(3,000)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>2,000</u>	<u>5,000</u>	<u>(3,000)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(5,000)</u>	<u>(3,000)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	2,000	2,000	-	(2,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<i>Net change in fund balance</i>	-	-	(5,000)	(5,000)
<i>Fund balance - beginning of year</i>	-	-	61,990	61,990
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,990</u>	<u>\$ 56,990</u>
Net change in fund balance (Non-GAAP basis)				\$ (5,000)
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>(5,000)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
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, 2016

Statement B-19

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	14,400	14,400	8,465	(5,935)
Miscellaneous	30,600	30,600	23,524	(7,076)
<i>Total revenues</i>	<u>80,552</u>	<u>45,000</u>	<u>31,989</u>	<u>(13,011)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	4,000	4,000	475	3,525
Public works	-	-	-	-
Culture and recreation	41,000	41,000	30,986	10,014
Capital outlay	-	-	-	-
Debt service:	35,552	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>80,552</u>	<u>45,000</u>	<u>31,461</u>	<u>13,539</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>528</u>	<u>528</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>528</u>	<u>528</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>26,472</u>	<u>26,472</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>
Net change in fund balance (Non-GAAP basis)				\$ 528
No adjustments to revenues				-
Adjustments to expenditures for supplies				(4,133)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (3,605)</u>

The accompanying notes are an integral part of these financial statements.



## STATE OF NEW MEXICO

Statement B-20

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>38,857</u>	<u>38,857</u>
<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				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-21

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	26,000	26,000	10,215	(15,785)
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>26,000</u>	<u>26,000</u>	<u>10,215</u>	<u>(15,785)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	3,300	3,300	3,300	-
Public works	22,700	22,700	21,547	1,153
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>26,000</u>	<u>26,000</u>	<u>24,847</u>	<u>1,153</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(14,632)</u>	<u>(14,632)</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>(14,632)</u>	<u>(14,632)</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>\$ (14,632)</u>	<u>\$ (14,632)</u>
Net change in fund balance (Non-GAAP basis)				\$ (14,632)
Adjustments to revenues for state operating grants				14,632
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-22

City of Española

NMLA Capital Improvements Grant Capital Projects Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	686,885	686,885	-	(686,885)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>686,885</u>	<u>686,985</u>	<u>-</u>	<u>(686,985)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	42,000	42,000	81,981	(39,981)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	644,885	644,885	281,005	363,880
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>686,885</u>	<u>686,885</u>	<u>362,986</u>	<u>323,899</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>100</u>	<u>(362,986)</u>	<u>(363,086)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(100)	-	100
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>100</u>
<i>Net change in fund balance</i>	-	-	(362,986)	(362,986)
<i>Fund balance - beginning of year</i>	-	-	(116,120)	(116,120)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (479,106)</u>	<u>\$ (479,106)</u>
Net change in fund balance (Non-GAAP basis)				\$ (362,986)
Adjustments to revenues for state capital grants				362,986
No adjustments to expenditures for buildings and structures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
City of Española  
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, 2016

Statement B-23

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	55,356	55,356	-	(55,356)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Rental income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>55,356</u>	<u>55,356</u>	<u>-</u>	<u>(55,356)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	55,356	55,356	43,561	11,795
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>55,356</u>	<u>55,356</u>	<u>43,561</u>	<u>11,795</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(43,561)</u>	<u>(43,561)</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>(43,561)</u>	<u>(43,561)</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>\$ (43,561)</u>	<u>\$ (43,561)</u>
Net change in fund balance (Non-GAAP basis)				\$ (43,561)
Adjustments to revenues for state capital grants				43,561
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-24

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	2,099,798	2,099,798	-	(2,099,798)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,099,798</u>	<u>2,099,798</u>	<u>-</u>	<u>(2,099,798)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,488,698	1,488,698	134,218	1,354,480
Culture and recreation	-	-	-	-
Capital outlay	611,100	611,100	-	611,100
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,099,798</u>	<u>2,099,798</u>	<u>134,218</u>	<u>1,965,580</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(134,218)</u>	<u>(134,218)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	105,870	105,870
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>105,870</u>	<u>105,870</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(28,348)</u>	<u>(28,348)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>28,348</u>	<u>28,348</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP basis)				\$ (28,348)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				22,474
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (5,874)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-25

City of Española

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, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<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				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-26

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	35,552	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	280,360	280,360	-	(280,360)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>315,912</u>	<u>280,360</u>	<u>-</u>	<u>(280,360)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	35,552	-	-	-
Public works	30,360	30,360	8,579	21,781
Culture and recreation	-	-	-	-
Capital outlay	250,000	250,000	184,458	65,542
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>315,912</u>	<u>280,360</u>	<u>193,037</u>	<u>87,323</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(193,037)</u>	<u>(193,037)</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>(193,037)</u>	<u>(193,037)</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>\$ (193,037)</u>	<u>\$ (193,037)</u>
Net change in fund balance (Non-GAAP basis)				\$ (193,037)
Adjustments to revenues for state capital grants				193,037
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-27

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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>	-	-	299,974	299,974
<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)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



## STATE OF NEW MEXICO

Statement B-28

City of Española

NMFA 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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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)	-	-	545	545
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>545</u>	<u>545</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	57,211	57,211	33,104	24,107
Interest	11,630	11,630	7,149	4,481
<i>Total expenditures</i>	<u>68,841</u>	<u>68,841</u>	<u>40,253</u>	<u>28,588</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(68,841)</u>	<u>(68,841)</u>	<u>(39,708)</u>	<u>29,133</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	68,841	68,841	68,841	-
Transfers out	-	-	(13,591)	(13,591)
<i>Total other financing sources (uses)</i>	<u>68,841</u>	<u>68,841</u>	<u>55,250</u>	<u>(13,591)</u>
<i>Net change in fund balance</i>	-	-	15,542	15,542
<i>Fund balance - beginning of year</i>	-	-	192,730	192,730
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,272</u>	<u>\$ 208,272</u>
Net change in fund balance (Non-GAAP basis)				\$ 15,542
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 15,542</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-29

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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>	<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>	-	-	3	3
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-30

City of Española

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
				<u>Final to Actual</u>
<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)	-	-	4,192	4,192
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>4,192</u>	<u>4,192</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	88,893	88,893	83,313	5,580
<i>Total expenditures</i>	<u>388,893</u>	<u>388,893</u>	<u>383,313</u>	<u>5,580</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(388,893)</u>	<u>(388,893)</u>	<u>(379,121)</u>	<u>9,772</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	388,893	388,893	517,756	128,863
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>388,893</u>	<u>388,893</u>	<u>517,756</u>	<u>128,863</u>
<i>Net change in fund balance</i>	-	-	138,635	138,635
<i>Fund balance - beginning of year</i>	-	-	471,088	471,088
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,723</u>	<u>\$ 609,723</u>
Net change in fund balance (Non-GAAP basis)				\$ 138,635
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 138,635</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-31

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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	13,200	13,200	13,200	-
Interest	2,367	2,367	2,367	-
<i>Total expenditures</i>	<u>15,567</u>	<u>15,567</u>	<u>15,567</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(15,567)</u>	<u>(15,567)</u>	<u>(15,567)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	15,567	15,567	15,567	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>15,567</u>	<u>15,567</u>	<u>15,567</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)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-32

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,224,328	1,224,328	984,460	(239,868)
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>1,224,328</u>	<u>1,224,328</u>	<u>984,460</u>	<u>(239,868)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	484,097	484,097	71,587	412,510
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>484,097</u>	<u>484,097</u>	<u>71,587</u>	<u>412,510</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>740,231</u>	<u>740,231</u>	<u>912,873</u>	<u>172,642</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(468,804)	(468,804)	-	468,804
Transfers in	-	-	-	-
Transfers out	(271,427)	(271,427)	(765,386)	(493,959)
<i>Total other financing sources (uses)</i>	<u>(740,231)</u>	<u>(740,231)</u>	<u>(765,386)</u>	<u>(25,155)</u>
<i>Net change in fund balance</i>	-	-	147,487	147,487
<i>Fund balance - beginning of year</i>	-	-	1,977,910	1,977,910
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,125,397</u>	<u>\$ 2,125,397</u>
Net change in fund balance (Non-GAAP basis)				\$ 147,487
Adjustments to revenues for gross receipts taxes				(3,545)
Adjustments to expenditures for professional services				(260,410)
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ (116,468)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-33

City of Española

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		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)	-	-	8,951	8,951
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>8,951</u>	<u>8,951</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	410,000	410,000	430,000	(20,000)
Interest	250,570	250,570	234,908	15,662
<i>Total expenditures</i>	<u>660,570</u>	<u>660,570</u>	<u>664,908</u>	<u>(4,338)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(660,570)</u>	<u>(660,570)</u>	<u>(655,957)</u>	<u>4,613</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	660,570	660,570	728,288	67,718
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>660,570</u>	<u>660,570</u>	<u>728,288</u>	<u>67,718</u>
<i>Net change in fund balance</i>	-	-	72,331	72,331
<i>Fund balance - beginning of year</i>	-	-	1,757,814	1,757,814
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,145</u>	<u>\$ 1,830,145</u>
Net change in fund balance (Non-GAAP basis)				\$ 72,331
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 72,331</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-34

City of Española

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, 2016

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Operating revenues</i>				
Charges for services	\$ 4,983,891	\$ 4,983,891	\$ 5,429,144	\$ 445,253
<i>Total operating revenues</i>	<u>4,983,891</u>	<u>4,983,891</u>	<u>5,429,144</u>	<u>445,253</u>
<i>Operating expenses</i>				
Personnel services	1,954,017	1,954,017	1,404,531	549,486
Contractual services	422,155	422,155	335,504	86,651
Supplies and services	959,858	959,858	455,738	504,120
Repairs and maintenance	311,312	311,312	164,755	146,557
Utilities	569,568	569,568	510,336	59,232
Depreciation expense	-	-	360,182	(360,182)
<i>Total operating expenses</i>	<u>4,216,910</u>	<u>4,216,910</u>	<u>3,231,046</u>	<u>985,864</u>
<i>Operating income (loss)</i>	<u>766,981</u>	<u>766,981</u>	<u>2,198,098</u>	<u>1,431,117</u>
<i>Non-operating revenues (expenses)</i>				
Interest expense	(155,144)	(155,144)	(136,592)	18,552
Interest income	3,176	3,176	7,347	4,171
Miscellaneous income	-	-	96	96
<i>Total non-operating revenues (expenses)</i>	<u>(151,968)</u>	<u>(151,968)</u>	<u>(129,149)</u>	<u>22,819</u>
<i>Income (loss) before transfers and grants</i>	<u>615,013</u>	<u>615,013</u>	<u>2,068,949</u>	<u>1,453,936</u>
Transfers	<u>(782,330)</u>	<u>(782,330)</u>	<u>(690,209)</u>	<u>92,121</u>
<i>Change in net position</i>	<u>\$ (167,317)</u>	<u>\$ (167,317)</u>	<u>1,378,740</u>	<u>\$ 1,546,057</u>
<i>Total net position, beginning of year</i>			<u>4,912,492</u>	
<i>Total net position, end of year</i>			<u>\$ 6,291,232</u>	

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Statement B-35

City of Española

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, 2016

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<i>Operating revenues</i>				
Charges for services	\$ 738,074	\$ 738,074	\$ 770,567	\$ 32,493
<i>Total operating revenues</i>	<u>738,074</u>	<u>738,074</u>	<u>770,567</u>	<u>32,493</u>
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	667,129	667,129	773,463	(106,334)
Supplies and services	172,954	172,954	138,808	34,146
<i>Total operating expenses</i>	<u>840,083</u>	<u>840,083</u>	<u>912,271</u>	<u>(72,188)</u>
<i>Operating income (loss)</i>	<u>(102,009)</u>	<u>(102,009)</u>	<u>(141,704)</u>	<u>(39,695)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	169,562	169,562	192,356	22,794
<i>Total non-operating revenues (expenses)</i>	<u>169,562</u>	<u>169,562</u>	<u>192,356</u>	<u>22,794</u>
<i>Income (loss) before transfers and grants</i>	<u>67,553</u>	<u>67,553</u>	<u>50,652</u>	<u>(16,901)</u>
Transfers	(67,554)	(67,554)	(67,554)	-
<i>Income before special item</i>				
Change in estimate	-	-	307,348	(307,348)
<i>Total special item</i>	<u>-</u>	<u>-</u>	<u>307,348</u>	<u>(307,348)</u>
<i>Change in net position</i>	<u>\$ (1)</u>	<u>\$ (1)</u>	290,446	<u>\$ (16,901)</u>
<i>Total net position, beginning of year</i>			<u>(653,211)</u>	
<i>Total net position, end of year</i>			<u>\$ (362,765)</u>	

The accompanying notes are an integral part of these financial statements.



## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Española  
Schedule of Deposit and Investment Accounts  
June 30, 2016

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks and other reconciling items	Book Balance
<b>Century Bank</b>					
Bond Court	Checking	\$ 71,488	\$ 515	\$ -	\$ 72,003
E-911	Checking	636,533	-	6,816	629,717
Fire Fund	Checking	211,598	-	3,434	208,164
General Fund	Checking	1,394,491	174,966	678,343	891,114
Online Utility	Checking	3,179,476	5,012	-	3,184,488
Payroll Fund	Checking	79,656	2,247	12,008	69,895
Restricted Fund	Checking	1,685,081	-	-	1,685,081
General Fund - Express Bill Pay	Checking	106,154	816	-	106,970
Certificate of Deposit	CD	70,000	-	-	70,000
Certificate of Deposit	CD	85,000	-	-	85,000
Certificate of Deposit	CD	15,439	-	439	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
<i>Total Century Bank</i>		<u>10,136,845</u>	<u>183,556</u>	<u>701,040</u>	<u>9,619,361</u>
<b>Bank of Albuquerque- Restricted Cash and Cash Equivalents</b>					
Espanola Municipal Infrastructure	U.S. Treasury				
GR Income Fund	Mutual Fund	7,123	-	-	7,123
Espanola Municipal Infrastructure GRT	U.S. Treasury				
Debt Service Reserve	Mutual Fund	375,401	-	-	375,401
<i>Total Bank of Albuquerque</i>		<u>382,524</u>	<u>-</u>	<u>-</u>	<u>382,524</u>
<b>New Mexico Finance Authority - Restricted Cash and Cash Equivalents</b>					
Espanola 1	State Treasurer				
	Debt Service	40,939	-	-	40,939
Espanola 1- Reserve	State Treasurer				
	Debt Service	54,317	-	-	54,317
Espanola 7	State Treasurer				
	Debt Service	19	-	-	19
Espanola 8	State Treasurer				
	Debt Service	569,943	-	-	569,943
Espanola 8- Reserve	State Treasurer				
	Debt Service	777,121	-	-	777,121
Espanola 12	State Treasurer				
	Debt Service	132,716	-	-	132,716
Espanola 12 - Reserve	State Treasurer				
	Debt Service	48,100	-	-	48,100
Espanola 13	State Treasurer				
	Debt Service	243,734	-	-	243,734
Espanola 13 - Reserve3	State Treasurer				
	Debt Service	62,026	-	-	62,026
<i>Total New Mexico Finance Authority</i>		<u>1,928,915</u>	<u>-</u>	<u>-</u>	<u>1,928,915</u>

See independent auditors' report.

<b>Bank Name/Account Name</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks and other reconciling items</b>	<b>Book Balance</b>
<i>Total</i>		<u>\$10,519,369</u>	<u>\$ 183,556</u>	<u>\$ 701,040</u>	11,930,800
New Mexico State Treasurer Local Government Investment Pool					\$ 1,778,674
Add: petty cash					586
Less: returned checks					<u>38,190</u>
<i>Total deposits and investments</i>					<u>\$ 13,671,870</u>
Deposits and investments per financial statements:					
Cash, investments, and cash equivalents - Exhibit A-1					\$ 10,708,534
Other investments - Exhibit A-1					228,929
Restricted cash and cash equivalents - Exhibit A-1					2,311,439
Fiduciary funds cash and investments - Exhibit E-1					<u>422,968</u>
<i>Total deposits and investments</i>					<u>\$ 13,671,870</u>

See independent auditors' report.

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STATE OF NEW MEXICO

Schedule IV

City of Española

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2016

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2016</u>	<u>Location of Safekeeper</u>
<b>Century Bank</b>					
	San Juan Cnty NM	8/1/2018	798359JG1	\$ 413,264	Federal Home Loan Bank of Dallas, TX
	Santa Fe NM Comnty	8/1/2018	801901JE0	1,755,403	Federal Home Loan Bank of Dallas, TX
	Ruidoso NM Mun Sch	8/1/2019	781338GL6	300,684	Federal Home Loan Bank of Dallas, TX
	San Miguel Cnty	6/1/2020	799108DB8	469,132	Federal Home Loan Bank of Dallas, TX
	Bloomfield NM	9/1/2024	094077KTC	266,010	Federal Home Loan Bank of Dallas, TX
	New Mexico EDL	12/1/2024	647110EQ4	253,906	Federal Home Loan Bank of Dallas, TX
	Santa Fe NM	8/1/2026	802071GYO	425,411	Federal Home Loan Bank of Dallas, TX
	Bernalillo Cnty	7/1/2033	013493CG4	1,450,517	Federal Home Loan Bank of Dallas, TX
<i>Total Pledged Collateral</i>				<u>\$ 5,334,327</u>	

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Española  
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2016

<b>Assets</b>	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<i>Judicial:</i>				
Cash	\$ (7,469)	\$ 26,979	\$ 27,107	\$ (7,597)
Assets	<u>\$ (7,469)</u>	<u>\$ 26,979</u>	<u>\$ 27,107</u>	<u>\$ (7,597)</u>
<i>Municipal Court:</i>				
Cash	\$ (748)	\$ -	\$ -	\$ (748)
Assets	<u>\$ (748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (748)</u>
<i>Bond:</i>				
Cash	\$ 89,768	\$ 125,562	\$ 118,078	\$ 97,252
Assets	<u>\$ 89,768</u>	<u>\$ 125,562</u>	<u>\$ 118,078</u>	<u>\$ 97,252</u>
<i>Utility Deposit Trust:</i>				
Cash	\$ 247,837	\$ 37,152	\$ 1,171	\$ 283,818
Investments	43,000	-	-	43,000
Accounts Receivable	586	-	586	\$ -
Assets	<u>\$ 291,423</u>	<u>\$ 37,152</u>	<u>\$ 1,757</u>	<u>\$ 326,818</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>

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Assets</b>				
<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	\$ 5,306	\$ -	\$ 322	\$ 4,984
Assets	<u>\$ 5,306</u>	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ 4,984</u>
<i>Forfeiture:</i>				
Cash	\$ 967	\$ -	\$ -	\$ 967
Assets	<u>\$ 967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967</u>
<i>Total assets</i>	<u>\$ 380,539</u>	<u>\$ 189,693</u>	<u>\$ 147,264</u>	<u>\$ 422,968</u>
<b>Liabilities</b>				
Bond deposits payable	\$ 81,918	\$ 152,541	\$ 145,552	\$ 88,907
Due to other entities	<u>298,621</u>	<u>37,152</u>	<u>1,712</u>	<u>334,061</u>
<i>Total liabilities</i>	<u>\$ 380,539</u>	<u>\$ 189,693</u>	<u>\$ 147,264</u>	<u>\$ 422,968</u>

**STATE OF NEW MEXICO**  
City of Española  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2016

Prepared by: City of Española

<b>RFB#/RFP# (If applicable)</b>	<b>Type of Procurement</b>	<b>Vendor Name</b>	<b>Did Vendor Win Contract?</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>
RFP-2015-003	Competitive (RFP or RFB)	Coppler Law Firm	Winner	\$ 100,000.00	\$ -
RFP-2016-002	Competitive (RFP or RFB)	Integrated Planning & Design	Winner	\$ 144,500.00	\$ -
RFP-2016-002	Competitive (RFP or RFB)	Salus Arts	Loser	\$ -	\$ -
RFP-2016-002	Competitive (RFP or RFB)	Sites Southwest	Loser	\$ -	\$ -
	Competitive (RFP or RFB)	Hennessy Mechanical	Winner	\$ 60,515.00	\$ -

See independent auditors' report.



<b>Physical address of vendor (City, State)</b>	<b>Did the Vendor provide documentation of eligibility for in-state preference?</b>	<b>Did the Vendor provide documentation of eligibility for veterans' preference?</b>	<b>Brief Description of the Scope of Work</b>
Santa Fe, New Mexico	Yes	No	Attorney services for City of Española & Municipal Courts
Park City, Utah	No	No	Comprehensive Plan & Zoning Development Code Update
El Paso, Texas	No	No	Comprehensive Plan & Zoning Development Code Update
Albuquerque, New Mexico	Yes	No	Comprehensive Plan & Zoning Development Code Update
Phoenix, Arizona	No	No	SORB Arsenic removal system media change-out

See independent auditors' report.

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## **COMPLIANCE SECTION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
The City Council  
City of Española  
Española, 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 Española (the City) as of and for the year ended June 30, 2016, 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 December 8, 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 as item FS 2016-001.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

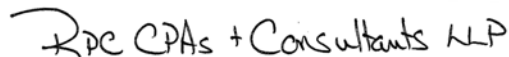
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items FS 2000-003 and NM 2016-002.

## **The City's Responses to Findings**

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

## **Purpose of this Report**

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



RPC CPAS + Consultants, LLP  
Albuquerque, New Mexico  
December 8, 2016

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**STATE OF NEW MEXICO**  
City of Española  
Schedule of Findings and Responses  
June 30, 2016

**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 |

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FS 2016-001 Inaccurate listing of Accounts Payable (Significant Deficiency)**

*Condition:* During the test work for subsequent disbursements, it was noted that eight (8) out of twenty-two (22) transactions were not classified correctly as accounts payable. These transactions totaled \$293,842 and made up of the following;

- Insurance Payments- \$155,610
- Electric Utility Charges- \$92,503
- Project Payments- \$10,679
- Attorney Fees- \$10,050

*Criteria:* Good accounting practices require management to review accounts payable listing for accuracy, completeness and proper cutoff.

*Cause:* Management did not correctly identify items that are considered to be accounts payable at year end due to insufficient review of listing for completeness and proper cutoff.

*Effect:* Because the City did not provide an accurate listing, it creates the possibility that accounts payable could be materially misstated for the current year end.

*Auditors' Recommendations:* The City should review disbursements after the balance sheet date for 90 days subsequent to year end to determine which fiscal year they should be reported in.

*Agency's Response:* The Financial Analyst is responsible for corrective action and corrective action is estimated to occur by June 30, 2017.



**SECTION III – SECTION 12-6-5 NMSA FINDINGS**

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

*Condition:* In violation of the New Mexico State statute the following funds exceeded approved budgetary authority for the year ended June 30, 2016:

	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Exceeded</u>
Library Grant Special Revenue Fund	\$ 35,552	\$ 41,461	\$ 5,909
Lodgers Tax Promotional Special Revenue Fund	\$ 2,000	\$ 5,000	\$ 3,000
Solid Waste Fund	\$ 840,083	\$ 912,271	\$ 72,188
2002 Bond Debt Service Fund	\$ 660,570	\$ 664,908	\$ 4,338

Management’s progress toward implementing the prior year corrective action plan includes reducing the amount of funds with budget overages for fiscal year 2016.

*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 timelier manner. The City Manager and Administrative Services Director are responsible for corrective active action and corrective action will occur by June 30, 2017.

**SECTION III – SECTION 12-6-5 NMSA FINDINGS (CONTINUED)**

**NM 2016-002 City’s budget does not reconcile to DFA’s approved budget – (Finding that does not rise to the level of significant deficiency)**

*Condition:* For the year ended June 30, 2016, the City’s internal budget recorded in its accounting system did not agree or reconcile to the budget approved by the New Mexico Department of Finance and Administration (DFA). During our budget compliance testwork we compared the City’s budget to DFA’s approved budget for 5 funds. The following schedule details the variance between the DFA’s approved budget and the City’s budget per its accounting system:

Fund	Expenditures		
	City's budget	DFA's approved budget	Variance
General Fund	\$ 10,026,786	\$ 10,017,192	\$ 9,594
EMS	18,935	16,210	2,725
Road and Street	352,616	348,584	4,032
Law Enforcement Protection	16,980	14,508	2,472
Intergovernmental Grants	228,240	230,549	(2,309)

*Criteria:* Good accounting practices require the City’s internal budget within its accounting system to reconcile to the budget approved by DFA.

*Cause:* The City was unable to reconcile its budget within its accounting system to both the budget approved by DFA and its 4<sup>th</sup> quarter report submitted to DFA.

*Effect:* The information that is reported to DFA does not reconcile to the City’s records and could lead to unauthorized spending and allocation of resources by the City.

*Auditors’ Recommendation:* We recommend the City reconcile budgets before submittal to DFA to ensure the BSR reports tie to the DFA report being submitted.

*Agency’s Response:* The Financial Analyst is responsible for corrective action and corrective action is estimated to occur by June 30, 2017.

**SECTION IV – PRIOR YEAR AUDIT FINDINGS**

**Prior Year Audit Findings**

**Financial Statement Findings**

FS 2000-003 Budgetary Noncompliance (Repeat/Modified)

FS 2003-001 Late Audit Report (Resolved)

FS 2012-003 Non Compliance with Procurement Code (Resolved)

FS 2012-011 Personal Use of City Vehicles (Resolved)

FS 2015-001 Travel and Per Diem Act (Resolved)

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**STATE OF NEW MEXICO**

City of Española

Other Disclosures

June 30, 2016

**Exit Conference**

An exit conference was held on December 8, 2016. In attendance were the following:

**Representing the City of Española:**

Alice A. Lucero

Pedro Valdez

Peggy Sue Martinez

Mark Trujillo

Jessica Ortiz

Diahann Jacquez

Mayor

Councilor

Councilor

City Manager

Administrative Services Director

Grants Manager

**Representing RPC CPAs + Consultants, LLP:**

Morgan Browning, CPA, CGFM

Manager

**Auditor Prepared Financial Statements**

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of the City of Española 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.