



*Service plus value, it all adds up.*

6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

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**STATE OF NEW MEXICO**

**CITY OF ESPAÑOLA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT  
AUDITOR'S REPORT**

**JUNE 30, 2018**

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA**

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**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA**

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**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA**

**OFFICIAL ROSTER**

**CITY COUNCIL**

| <u>Name</u>              | <u>Title</u>         |
|--------------------------|----------------------|
| Javier E. Sánchez        | Mayor                |
| Dennis Tim Salazar       | District 1 Councilor |
| John L. Ricci            | District 1 Councilor |
| John Ramon Vigil         | District 2 Councilor |
| Peggy Sue Martinez       | District 2 Councilor |
| Denise D. Benavidez      | District 3 Councilor |
| Manuel J. Martinez       | District 3 Councilor |
| Robert Seeds             | District 4 Councilor |
| Justin J. Salazar-Torrez | District 4 Councilor |

**ADMINISTRATIVE OFFICIALS**

|                             |                                 |
|-----------------------------|---------------------------------|
| Kelly Duran                 | City Manager                    |
| Melissa Velasquez (Interim) | City Clerk                      |
| Jessica Ortiz               | Administrative Service Director |



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## Independent Auditor's Report

Mr. Brian S. Colón, State Auditor and  
To 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 the major special revenue funds of the City of Española (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements 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 auditors' 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, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and the major special revenue funds of the City of Española, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Pronouncement*

As discussed in Note 17 to the financial statements, in 2018 the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in retroactively adjusting the financial statements. Our opinion is not modified with respect to this matter.

### *Prior Period Correction of an Error*

As discussed in Note 17 to the financial statements, in 2018 the City made adjustments to capital assets, long-term debt, and accounts receivable in order to correct prior period balances. Our opinion is not modified with respect to this matter.

## **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 GASB Supplementary Pension Schedules on pages 53-59, and the GASB Supplementary OPEB Schedules on page 60-62 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 financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the schedules required by section 2.2.2 NMAC within Supporting Schedules as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the schedules required by section 2.2.2 NMAC within Supporting Schedules as listed in the Table of Contents 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedules required by section 2.2.2 NMAC within Supporting Schedules as listed in the Table of Contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, 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.

***Ricci & Company LLC***

Albuquerque, New Mexico  
February 25, 2019

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

| ASSETS  | Primary Government      |                          |                   |
|---|-------------------------|--------------------------|-------------------|
|   | Governmental Activities | Business-Type Activities | Total             |
| Current assets:   |                         |                          |                   |
| Cash and cash equivalents                                       | \$ 8,941,692            | 3,515,954                | 12,457,646        |
| Investments   | 170,439                 | 58,929                   | 229,368           |
| Taxes Receivable:   |                         |                          |                   |
| Property taxes  | 205,241                 | -                        | 205,241           |
| Gross receipts tax  | 1,746,448               | 29,983                   | 1,776,431         |
| Other taxes   | 81,840                  | -                        | 81,840            |
| Grants receivable   | 169,131                 | -                        | 169,131           |
| Other Receivables   | 5,066                   | -                        | 5,066             |
| Customer receivables, net                                       | -                       | 565,024                  | 565,024           |
| Internal balances   | 414,873                 | -                        | 414,873           |
| <b>Total current assets</b>                                     | <b>11,734,730</b>       | <b>4,169,890</b>         | <b>15,904,620</b> |
| Noncurrent assets:  |                         |                          |                   |
| Restricted cash and cash equivalents                            | 518,374                 | -                        | 518,374           |
| Restricted investments  | 2,051,022               | 493,502                  | 2,544,524         |
| Capital assets  | 37,449,195              | 17,350,111               | 54,799,306        |
| Less: accumulated depreciation                                  | (21,695,051)            | (7,927,516)              | (29,622,567)      |
| <b>Total noncurrent assets</b>                                  | <b>18,323,540</b>       | <b>9,916,097</b>         | <b>28,239,637</b> |
| <b>Total assets</b>   | <b>30,058,270</b>       | <b>14,085,987</b>        | <b>44,144,257</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                         |                          |                   |
| Deferred outflows related to pension                            | 2,892,151               | 268,025                  | 3,160,176         |
| Deferred outflows related to OPEB                               | 98,557                  | 20,007                   | 118,564           |
| <b>Total deferred outflows</b>                                  | <b>2,990,708</b>        | <b>288,032</b>           | <b>3,278,740</b>  |
| <b>Total assets and deferred outflows</b>                       | <b>33,048,978</b>       | <b>14,374,019</b>        | <b>47,422,997</b> |
| <b>LIABILITIES</b>  |                         |                          |                   |
| Current liabilities:  |                         |                          |                   |
| Accounts payable  | 198,133                 | 165,547                  | 363,680           |
| Accrued payroll   | 244,327                 | 3,485                    | 247,812           |
| Interfund payable   | -                       | 414,873                  | 414,873           |
| Accrued interest payable  | 34,941                  | 58,012                   | 92,953            |
| Accrued compensated absences                                    | 437,266                 | 72,742                   | 510,008           |
| Bonds payable   | -                       | 21,189                   | 21,189            |
| Loans and notes payable   | 764,502                 | 372,630                  | 1,137,132         |
| <b>Total current liabilities</b>                                | <b>1,679,169</b>        | <b>1,108,478</b>         | <b>2,787,647</b>  |
| Noncurrent liabilities:   |                         |                          |                   |
| Accrued compensated absences                                    | 347,465                 | 44,253                   | 391,718           |
| Bonds payable   | -                       | 641,011                  | 641,011           |
| Loans and notes payable, net of current portion                 | 6,213,852               | 3,627,201                | 9,841,053         |
| Accrued landfill closure costs                                  | -                       | 206,250                  | 206,250           |
| Net pension liability   | 10,849,375              | 951,838                  | 11,801,213        |
| Net OPEB liability  | 5,038,341               | 1,022,772                | 6,061,113         |
| <b>Total noncurrent liabilities</b>                             | <b>22,449,033</b>       | <b>6,493,325</b>         | <b>28,942,358</b> |
| <b>Total liabilities</b>  | <b>24,128,202</b>       | <b>7,601,803</b>         | <b>31,730,005</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                         |                          |                   |
| Deferred inflows related to pensions                            | 1,479,198               | 87,794                   | 1,566,992         |
| Deferred inflows related to OPEB                                | 1,146,714               | 232,780                  | 1,379,494         |
| <b>Total deferred inflows</b>                                   | <b>2,625,912</b>        | <b>320,574</b>           | <b>2,946,486</b>  |
| <b>NET POSITION</b>   |                         |                          |                   |
| Net investment in capital assets                                | 8,775,790               | 4,760,564                | 13,536,354        |
| Restricted for:   |                         |                          |                   |
| Debt service  | 1,915,495               | 493,502                  | 2,408,997         |
| Capital projects  | 1,860,587               | -                        | 1,860,587         |
| Special revenue   | 4,582,960               | -                        | 4,582,960         |
| Unrestricted (deficit)  | (10,839,968)            | 1,197,576                | (9,642,392)       |
| <b>Total net position</b>                                       | <b>6,294,864</b>        | <b>6,451,642</b>         | <b>12,746,506</b> |
| <b>Total liabilities, deferred inflows, and net position</b> \$ | <b>33,048,978</b>       | <b>14,374,019</b>        | <b>47,422,997</b> |

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

| Functions/Programs  | Program Revenues     |                      |                          |                          | Net (Expense) Revenue and Changes in Net Position |                          |                     |
|---|----------------------|----------------------|--------------------------|--------------------------|---|--------------------------|---------------------|
|   | Expenses             | Charges for Services | Operating                | Capital                  | Primary Government                                |                          | Total               |
|   |                      |                      | Grants and Contributions | Grants and Contributions | Governmental Activities                           | Business-type Activities |                     |
| <b>Primary government</b>                                   |                      |                      |                          |                          |   |                          |                     |
| Governmental activities:                                    |                      |                      |                          |                          |   |                          |                     |
| General government  | \$ 4,407,430         | 32,299               | 233,050                  | 184,023                  | \$ (3,958,058)                                    | -                        | (3,958,058)         |
| Public safety   | 6,775,247            | 6,000                | 1,369,021                | 5,354                    | (5,394,872)                                       | -                        | (5,394,872)         |
| Public works  | 2,201,377            | -                    | -                        | 108,364                  | (2,093,013)                                       | -                        | (2,093,013)         |
| Cultural and recreational                                   | 1,426,113            | 116,753              | 172,578                  | 142,915                  | (993,867)   | -                        | (993,867)           |
| Interest and fees on long-term debt                         | 161,500              | -                    | -                        | -                        | (161,500)   | -                        | (161,500)           |
| <b>Total governmental activities</b>                        | <u>14,971,667</u>    | <u>155,052</u>       | <u>1,774,649</u>         | <u>440,656</u>           | <u>(12,601,310)</u>                               | <u>-</u>                 | <u>(12,601,310)</u> |
| Business-type activities:                                   |                      |                      |                          |                          |   |                          |                     |
| Water and wastewater  | 3,390,156            | 5,398,749            | -                        | -                        | -   | 2,008,593                | 2,008,593           |
| Solid waste   | 830,371              | 724,991              | -                        | -                        | -   | (105,380)                | (105,380)           |
| <b>Total business-like activities</b>                       | <u>4,220,527</u>     | <u>6,123,740</u>     | <u>-</u>                 | <u>-</u>                 | <u>-</u>  | <u>1,903,213</u>         | <u>1,903,213</u>    |
| <b>Total primary government</b>                             | <u>\$ 19,192,194</u> | <u>6,278,792</u>     | <u>1,774,649</u>         | <u>440,656</u>           | <u>\$ (12,601,310)</u>                            | <u>1,903,213</u>         | <u>(10,698,097)</u> |
| <b>General Revenues</b>                                     |                      |                      |                          |                          |   |                          |                     |
| Taxes:  |                      |                      |                          |                          |   |                          |                     |
| Property taxes  |                      |                      |                          |                          | \$ 750,013  | -                        | 750,013             |
| Gross receipts taxes  |                      |                      |                          |                          | 9,736,707   | 195,927                  | 9,932,634           |
| Gasoline and motor vehicle taxes                            |                      |                      |                          |                          | 446,006   | -                        | 446,006             |
| Franchise tax   |                      |                      |                          |                          | 287,724   | -                        | 287,724             |
| Lodgers' tax  |                      |                      |                          |                          | 57,130  | -                        | 57,130              |
| Investment income   |                      |                      |                          |                          | 201,956   | 26,040                   | 227,996             |
| Gain (loss) on disposal of assets                           |                      |                      |                          |                          | 28,985  | (2,121)                  | 26,864              |
| Other   |                      |                      |                          |                          | 569,556   | -                        | 569,556             |
| Transfers   |                      |                      |                          |                          | 509,253   | (509,253)                | -                   |
| <b>Total general revenues and transfers</b>                 |                      |                      |                          |                          | <u>12,587,330</u>                                 | <u>(289,407)</u>         | <u>12,297,923</u>   |
| Special item - decrease in landfill liability (see note 13) |                      |                      |                          |                          | -   | 13,750                   | 13,750              |
| Change in net position                                      |                      |                      |                          |                          | (13,980)  | 1,627,556                | 1,613,576           |
| Net position - beginning, as originally stated              |                      |                      |                          |                          | 11,799,222  | 6,673,908                | 18,473,130          |
| Restatement - GASBS 75 implementation                       |                      |                      |                          |                          | (5,984,745)                                       | (1,214,890)              | (7,199,635)         |
| Restatement - customer receivables                          |                      |                      |                          |                          | -   | (505,448)                | (505,448)           |
| Restatement - government obligations                        |                      |                      |                          |                          | (40,009)  | (319,783)                | (359,792)           |
| Restatement - capital assets                                |                      |                      |                          |                          | 534,376   | 190,299                  | 724,675             |
| Net position - beginning, as restated                       |                      |                      |                          |                          | <u>6,308,844</u>                                  | <u>4,824,086</u>         | <u>11,132,930</u>   |
| <b>Net position - ending</b>                                |                      |                      |                          |                          | <u>\$ 6,294,864</u>                               | <u>6,451,642</u>         | <u>12,746,506</u>   |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
BALANCE SHEET GOVERNMENTAL FUNDS  
June 30, 2018**

|  | 101, 301, 503,<br>520<br>General<br>Fund | 124<br>Municipal Service<br>Improvements<br>Special Revenue<br>Fund | 209<br>Fire<br>Protection<br>Special<br>Fund | 305, 310, 313,<br>314, 605<br>Infrastructure<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total             |
|--|--|---|--|--|--------------------------------|-------------------|
| <b>ASSETS</b>  |  |   |  |  |                                |                   |
| Cash and cash equivalents                                    | \$ 3,361,422                             | 2,384,356   | 320,991                                      | 1,351,486  | 2,041,811                      | 9,460,066         |
| Investments  | 170,439                                  | -   | 1,243,599                                    | -  | 807,423                        | 2,221,461         |
| Taxes Receivable:  |  |   |  |  |                                |                   |
| Property taxes   | 205,241                                  | -   | -  | -  | -                              | 205,241           |
| Gross receipts tax   | 1,448,202                                | 118,324   | -  | 179,922  | -                              | 1,746,448         |
| Other taxes  | 19,675                                   | -   | -  | -  | 62,165                         | 81,840            |
| Grants receivable  | -  | -   | -  | -  | 169,131                        | 169,131           |
| Other receivables  | -  | -   | -  | -  | 5,066                          | 5,066             |
| Due from other funds   | 1,120,102                                | -   | -  | -  | -                              | 1,120,102         |
| <b>Total assets</b>  | <b>\$ 6,325,081</b>                      | <b>2,502,680</b>  | <b>1,564,590</b>                             | <b>1,531,408</b>   | <b>3,085,596</b>               | <b>15,009,355</b> |
| <b>LIABILITIES</b>   |  |   |  |  |                                |                   |
| Liabilities:   |  |   |  |  |                                |                   |
| Accounts payable   | \$ 147,169                               | 10,740  | 11,912                                       | -  | 28,312                         | 198,133           |
| Accrued payroll  | 244,327                                  | -   | -  | -  | -                              | 244,327           |
| Due to other funds   | -  | -   | -  | -  | 705,229                        | 705,229           |
| <b>Total Total liabilities</b>                               | <b>391,496</b>                           | <b>10,740</b>   | <b>11,912</b>                                | <b>-</b>   | <b>733,541</b>                 | <b>1,147,689</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |  |   |  |  |                                |                   |
| Unavailable revenue - property taxes                         | 182,278                                  | -   | -  | -  | -                              | 182,278           |
| <b>Total deferred inflows of resources</b>                   | <b>182,278</b>                           | <b>-</b>  | <b>-</b>                                     | <b>-</b>   | <b>-</b>                       | <b>182,278</b>    |
| <b>Fund Balances:</b>  |  |   |  |  |                                |                   |
| Restricted for:  |  |   |  |  |                                |                   |
| Municipal service improvements                               | -  | 2,491,940   | -  | -  | -                              | 2,491,940         |
| Maintenance of roads   | -  | -   | -  | -  | 61,752                         | 61,752            |
| Fire department  | -  | -   | 1,552,678                                    | -  | -                              | 1,552,678         |
| Culture and recreation                                       | -  | -   | -  | -  | 248,503                        | 248,503           |
| Public safety  | -  | -   | -  | -  | 228,087                        | 228,087           |
| Capital projects expenditures                                | -  | -   | -  | 1,531,408  | 329,179                        | 1,860,587         |
| Debt service expenditures                                    | -  | -   | -  | -  | 1,915,495                      | 1,915,495         |
| Committed for:   |  |   |  |  |                                |                   |
| Subsequent year's expenditures                               | 847,228                                  | -   | -  | -  | -                              | 847,228           |
| Unassigned, (deficit)  | 4,904,079                                | -   | -  | -  | (430,961)                      | 4,473,118         |
| <b>Total fund balances</b>                                   | <b>5,751,307</b>                         | <b>2,491,940</b>  | <b>1,552,678</b>                             | <b>1,531,408</b>   | <b>2,352,055</b>               | <b>13,679,388</b> |
| <b>Total liabilities, deferred inflows and fund balances</b> | <b>\$ 6,325,081</b>                      | <b>2,502,680</b>  | <b>1,564,590</b>                             | <b>1,531,408</b>   | <b>3,085,596</b>               | <b>15,009,355</b> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**

**CITY OF ESPAÑOLA**

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**June 30, 2018**

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

|   |           |                                |
|---|-----------|--------------------------------|
| Fund Balance of Governmental Funds  | \$        | 13,679,388                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds  |           | 15,754,144                     |
| Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and therefore, are not reported in the funds   |           | 364,796                        |
| Delinquent property taxes not collected with 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 |           | 182,278                        |
| Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:  |           |                                |
| Accrued interest payable  |           | (34,941)                       |
| 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   |           | (784,731)                      |
| Current and noncurrent portions of loans and notes payable  |           | (6,978,354)                    |
| Net pension liability   |           | (10,849,375)                   |
| Net OPEB liability  |           | <u>(5,038,341)</u>             |
| <b>Total net position of governmental activities</b>  | <b>\$</b> | <b><u><u>6,294,864</u></u></b> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

|   | 101, 301, 503,<br>520<br>General<br>Fund | 124<br>Municipal Service<br>Improvements<br>Special Revenue<br>Fund | 209<br>Fire<br>Protection<br>Special Revenue<br>Fund | 305, 310, 313,<br>314, 605<br>Infrastructure<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total             |
|---|--|---|--|--|--------------------------------|-------------------|
| <b>REVENUES</b>                                   |  |   |  |  |                                |                   |
| Taxes:  |  |   |  |  |                                |                   |
| Property  | \$ 750,744                               | -   | -  | -  | -                              | 750,744           |
| Gross receipts                                    | 8,063,444                                | 659,665   | -  | 1,013,598  | -                              | 9,736,707         |
| Gasoline and motor vehicle taxes                  | 111,092                                  | -   | -  | -  | 334,914                        | 446,006           |
| Franchise tax                                     | 287,724                                  | -   | -  | -  | -                              | 287,724           |
| Lodger's tax                                      | -  | -   | -  | -  | 57,130                         | 57,130            |
| Intergovernmental income:                         |  |   |  |  |                                |                   |
| Federal operating grants                          | -  | -   | -  | -  | 138,671                        | 138,671           |
| Federal capital grants                            | -  | -   | -  | -  | 21,600                         | 21,600            |
| State operating grants                            | -  | 312,042   | 280,892  | -  | 1,043,044                      | 1,635,978         |
| State capital grants                              | -  | -   | -  | -  | 419,056                        | 419,056           |
| Charges for services                              | 129,572                                  | -   | -  | -  | 25,480                         | 155,052           |
| Licenses and fees                                 | 216,003                                  | -   | -  | -  | 2,535                          | 218,538           |
| Investment income                                 | 183,415                                  | -   | 1,879  | -  | 16,662                         | 201,956           |
| Miscellaneous                                     | 118,381                                  | 136,245   | 20,117   | -  | 76,275                         | 351,018           |
| <b>Total revenues</b>                             | <b>\$ 9,860,375</b>                      | <b>1,107,952</b>  | <b>302,888</b>                                       | <b>1,013,598</b>   | <b>2,135,367</b>               | <b>14,420,180</b> |
| <b>Expenditures</b>                               |  |   |  |  |                                |                   |
| Current:  |  |   |  |  |                                |                   |
| General government                                | \$ 3,377,259                             | -   | -  | -  | 21,403                         | 3,398,662         |
| Public safety                                     | 4,608,933                                | -   | 197,740  | -  | 958,889                        | 5,765,562         |
| Public works                                      | 888,895                                  | 337,232   | -  | 232,578  | 404,187                        | 1,862,892         |
| Culture and recreation                            | 1,069,831                                | -   | -  | -  | 68,149                         | 1,137,980         |
| Capital outlay                                    | 78,963                                   | 619,489   | 17,000   | 101,585  | 924,597                        | 1,741,634         |
| Debt Service:                                     |  |   |  |  |                                |                   |
| Principal   | -  | -   | 57,329   | -  | 557,351                        | 614,680           |
| Interest  | -  | -   | 11,679   | -  | 158,023                        | 169,702           |
| <b>Total expenditures</b>                         | <b>10,023,881</b>                        | <b>956,721</b>  | <b>283,748</b>                                       | <b>334,163</b>   | <b>3,092,599</b>               | <b>14,691,112</b> |
| Excess (deficiency) of revenues over expenditures | (163,506)                                | 151,231   | 19,140   | 679,435  | (957,232)                      | (270,932)         |
| Other financing sources (uses)                    |  |   |  |  |                                |                   |
| Proceeds from issuance of debt                    | -  | -   | 1,252,257  | -  | -                              | 1,252,257         |
| Proceeds from sale of fixed assets                | 42,496                                   | -   | -  | -  | -                              | 42,496            |
| Transfers in                                      | 731,786                                  | -   | -  | 91,114   | 603,574                        | 1,426,474         |
| Transfers out                                     | (285,799)                                | -   | -  | (515,472)  | (115,950)                      | (917,221)         |
| Total other financing sources (uses)              | 488,483                                  | -   | 1,252,257  | (424,358)  | 487,624                        | 1,804,006         |
| Net change in fund balances                       | 324,977                                  | 151,231   | 1,271,397  | 255,077  | (469,608)                      | 1,533,074         |
| Fund balance - beginning of year Fund             | 5,426,330                                | 2,340,709   | 281,281  | 1,276,331  | 2,821,663                      | 12,146,314        |
| balance - end of year                             | \$ 5,751,307                             | 2,491,940   | 1,552,678  | 1,531,408  | 2,352,055                      | 13,679,388        |

*The Notes to the Financial Statements are an integral part of this statement.*

**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, 2018**

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

Net change in fund balances - total governmental funds

|  |              |
|--|--------------|
| Governmental funds report capital outlay as expenditures. However, | \$ 1,533,074 |
|--|--------------|

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 | 1,741,634   |
| Depreciation expense                            | (1,150,007) |

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. (13,511)

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

|  |       |
|--|-------|
| Change in unavailable revenue related to property taxes receivable | (731) |
|--|-------|

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:

|   |             |
|---|-------------|
| Change in accrued interest                            | 8,202       |
| Change in accrued compensated absences                | (30,702)    |
| Proceeds from the issuance of debt                    | (1,252,257) |
| Principal payments on bonds, notes, and loans payable | 614,680     |

City pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

|                            |                    |
|----------------------------|--------------------|
| City pension contributions | 634,123            |
| Pension expense            | <u>(2,098,485)</u> |

|  |                           |
|--|---------------------------|
| <b>Change in net position of governmental activities</b> | <b>\$ <u>(13,980)</u></b> |
|--|---------------------------|

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND**

**For the Year Ended June 30, 2018**

|   | Budgeted Amounts               |                             | Actual            | Variances                                     |
|---|--------------------------------|-----------------------------|-------------------|---|
|   | Original<br>Approved<br>Budget | Final<br>Approved<br>Budget |                   | Favorable<br>(Unfavorable)<br>Final to Actual |
| <b>Revenues</b>   |                                |                             |                   |   |
| Taxes:  |                                |                             |                   |   |
| Property taxes  | \$ 733,110                     | 738,192                     | 745,190           | 6,998   |
| Gross receipts  | 7,740,055                      | 8,045,378                   | 7,903,900         | (141,478)                                     |
| Gas and motor vehicle   | 107,487                        | 108,022                     | -                 | (108,022)                                     |
| Franchise tax   | 284,402                        | 274,871                     | 287,724           | 12,853  |
| Charges for services  | 123,135                        | 138,312                     | 129,572           | (8,740)                                       |
| Licenses and fees   | 241,375                        | 251,139                     | 216,003           | (35,136)                                      |
| Investment income   | 16,488                         | 16,307                      | 183,415           | 167,108                                       |
| Miscellaneous   | 54,899                         | 367,821                     | 190,342           | (177,479)                                     |
| <b>Total revenues</b>   | <u>9,300,951</u>               | <u>9,940,042</u>            | <u>9,656,146</u>  | <u>(283,896)</u>                              |
| <b>Expenditures</b>   |                                |                             |                   |   |
| Current:  |                                |                             |                   |   |
| General government  | 3,790,880                      | 4,017,882                   | 3,584,490         | 433,392                                       |
| Public safety   | 4,505,207                      | 4,536,594                   | 4,268,195         | 268,399                                       |
| Public works  | 1,048,891                      | 1,067,299                   | 882,351           | 184,948                                       |
| Culture and recreation  | 1,153,086                      | 1,148,245                   | 1,057,669         | 90,576  |
| Capital outlay  | 20,105                         | 156,709                     | 155,375           | 1,334   |
| <b>Total expenditures</b>   | <u>10,518,169</u>              | <u>10,926,729</u>           | <u>9,948,080</u>  | <u>978,649</u>                                |
| <b>Excess (deficiency) of revenues over expenditures</b>                                    | <u>(1,217,218)</u>             | <u>(986,687)</u>            | <u>(291,934)</u>  | <u>(1,262,545)</u>                            |
| <b>Other Financing Sources (Uses)</b>   |                                |                             |                   |   |
| Designated cash (budgeted increase in cash)   | 269,964                        | 382,240                     | -                 | (382,240)                                     |
| Proceeds from sale of fixed assets  | -                              | -                           | 42,496            | 42,496  |
| Transfers in  | 987,995                        | 987,995                     | 731,786           | (256,209)                                     |
| Transfers out   | (40,741)                       | (332,295)                   | (285,799)         | 46,496  |
| <b>Total other financing sources (uses)</b>   | <u>1,217,218</u>               | <u>1,037,940</u>            | <u>488,483</u>    | <u>(549,457)</u>                              |
| Net change in fund balance  | -                              | 51,253                      | 196,549           | (1,812,002)                                   |
| Fund balance - beginning of year  | -                              | -                           | 4,254,594         | 4,254,594                                     |
| Fund balance - end of year  | \$ -                           | <u>51,253</u>               | <u>4,451,143</u>  | <u>4,338,883</u>                              |
| Net change in fund balance (Non-GAAP basis)   |                                |                             | \$ 196,549        |   |
| Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income |                                |                             | 204,229           |   |
| Adjustments to expenditures for salaries, professional services, and supplies               |                                |                             | (75,801)          |   |
| Net change in fund balance (GAAP Basis)   |                                |                             | \$ <u>324,977</u> |   |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MUNICIPAL SERVICE IMPROVEMENTS SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2018**

|   | Budgeted Amounts               |                             | Actual            | Variances<br>Favorable<br>(Unfavorable)<br>Final to Actual |
|---|--------------------------------|-----------------------------|-------------------|--|
|   | Original<br>Approved<br>Budget | Final<br>Approved<br>Budget |                   |  |
| <b>Revenues</b>   |                                |                             |                   |  |
| Intergovernmental income:   |                                |                             |                   |  |
| Federal operating grants  | \$ -                           | -                           | -                 | -  |
| Federal capital grants  | -                              | -                           | -                 | -  |
| State operating grants  | 657,718                        | 882,718                     | 305,195           | (577,523)  |
| State capital grants  | -                              | -                           | -                 | -  |
| Miscellaneous   | -                              | -                           | -                 | -  |
| <b>Total revenues</b>   | <u>657,718</u>                 | <u>882,718</u>              | <u>305,195</u>    | <u>(577,523)</u>   |
| <b>Expenditures</b>   |                                |                             |                   |  |
| Current:  |                                |                             |                   |  |
| General government  | -                              | -                           | -                 | -  |
| Public safety   | -                              | -                           | -                 | -  |
| Public works  | 459,158                        | 628,048                     | 251,275           | 376,773  |
| Culture and recreation  | -                              | -                           | -                 | -  |
| Capital outlay  | 408,169                        | 465,080                     | 714,360           | (249,280)  |
| <b>Total expenditures</b>   | <u>867,327</u>                 | <u>1,093,128</u>            | <u>965,635</u>    | <u>127,493</u>   |
| <b>Excess (deficiency) of revenues over expenditures</b>                                    | <u>(209,609)</u>               | <u>(210,410)</u>            | <u>(660,440)</u>  | <u>(705,016)</u>   |
| <b>Other Financing Sources (Uses)</b>   |                                |                             |                   |  |
| Designated cash (budgeted increase in cash)   | <u>(210,410)</u>               | <u>210,410</u>              | <u>-</u>          | <u>(210,410)</u>   |
| Net change in fund balance  | (420,019)                      | -                           | (660,440)         | (915,426)  |
| Fund balance - beginning of year  | -                              | -                           | 4,254,594         | 4,254,594  |
| Fund balance - end of year  | \$ <u>(420,019)</u>            | <u>-</u>                    | <u>3,594,154</u>  | <u>4,338,883</u>   |
| Net change in fund balance (Non-GAAP basis)   |                                |                             | \$ (660,440)      |  |
| Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income |                                |                             | 802,757           |  |
| Adjustments to expenditures for salaries, professional services, and supplies               |                                |                             | <u>8,914</u>      |  |
| Net change in fund balance (GAAP Basis)   |                                |                             | \$ <u>151,231</u> |  |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) FIRE**  
**FUND SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2018**

|   | Budgeted Amounts               |                             | Actual              | Variances<br>Favorable<br>(Unfavorable)<br>Final to Actual |
|---|--------------------------------|-----------------------------|---------------------|--|
|   | Original<br>Approved<br>Budget | Final<br>Approved<br>Budget |                     |  |
| <b>Revenues</b>   |                                |                             |                     |  |
| Intergovernmental income:   | \$                             |                             |                     |  |
| Federal operating grants  | -                              | -                           | -                   | -  |
| Federal capital grants  | -                              | -                           | -                   | -  |
| State operating grants  | 210,000                        | 280,785                     | 280,892             | 107  |
| State capital grants  | -                              | -                           | -                   | -  |
| Charges for services  | -                              | -                           | -                   | -  |
| Licenses and fees   | -                              | -                           | -                   | -  |
| Investment income   | -                              | 1,169                       | 633                 | (536)  |
| Miscellaneous   | -                              | 6,575                       | 8,272               | 1,697  |
| <b>Total revenues</b>   | <u>210,000</u>                 | <u>288,529</u>              | <u>289,797</u>      | <u>1,268</u>   |
| <b>Expenditures</b>   |                                |                             |                     |  |
| Current:  |                                |                             |                     |  |
| General government  | -                              | -                           | -                   | -  |
| Public safety   | 249,903                        | 370,127                     | 180,165             | 189,962  |
| Public works  | -                              | -                           | -                   | -  |
| Culture and recreation  | -                              | -                           | -                   | -  |
| Capital outlay  | 61,720                         | 67,454                      | 22,664              | 44,790   |
| <b>Total expenditures</b>   | <u>311,623</u>                 | <u>437,581</u>              | <u>202,829</u>      | <u>234,752</u>   |
| <b>Excess (deficiency) of revenues over expenditures</b>                                    | <u>(101,623)</u>               | <u>(149,052)</u>            | <u>86,968</u>       | <u>(233,484)</u>   |
| <b>Other Financing Sources (Uses)</b>   |                                |                             |                     |  |
| Designated cash (budgeted increase in cash)   | 101,623                        | 149,052                     | -                   | (149,052)  |
| Proceeds from issuance of debt  | -                              | -                           | 1,252,257           | 1,252,257  |
| Transfers in  | -                              | -                           | -                   | -  |
| Transfers out   | -                              | -                           | -                   | -  |
| <b>Total other financing sources (uses)</b>   | <u>101,623</u>                 | <u>149,052</u>              | <u>1,252,257</u>    | <u>1,103,205</u>   |
| Net change in fund balance  | -                              | -                           | 1,339,225           | 869,721  |
| Fund balance - beginning of year  | -                              | -                           | 4,254,594           | 4,254,594  |
| Fund balance - end of year  | \$ -                           | \$ -                        | <u>5,593,819</u>    | <u>4,338,883</u>   |
| Net change in fund balance (Non-GAAP basis)   |                                |                             | \$ 1,339,225        |  |
| Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income |                                |                             | 13,091              |  |
| Adjustments to expenditures for salaries, professional services, and supplies               |                                |                             | <u>(80,919)</u>     |  |
| Net change in fund balance (GAAP Basis)   |                                |                             | \$ <u>1,271,397</u> |  |

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF NET POSITION PROPRIETARY FUNDS**  
**June 30, 2018**

| ASSETS  | Enterprise Funds        |                  |                   |
|---|-------------------------|------------------|-------------------|
|   | 500, 505                | 510              | Total             |
|   | Water and<br>Wastewater | Solid Waste      |                   |
| Current assets  |                         |                  |                   |
| Cash and cash equivalents                                   | \$ 3,515,954            | -                | 3,515,954         |
| Investments   | 58,929                  | -                | 58,929            |
| Customer receivables, net                                   | 412,501                 | 152,523          | 565,024           |
| Gross receipts tax receivable                               | -                       | 29,983           | 29,983            |
| <b>Total current assets</b>                                 | <b>3,987,384</b>        | <b>182,506</b>   | <b>4,169,890</b>  |
| Noncurrent assets   |                         |                  |                   |
| Restricted investments                                      | 493,502                 | -                | 493,502           |
| Capital assets  | 17,350,111              | -                | 17,350,111        |
| Less: accumulated depreciation                              | (7,927,516)             | -                | (7,927,516)       |
| <b>Total noncurrent assets</b>                              | <b>9,916,097</b>        | <b>-</b>         | <b>9,916,097</b>  |
| Deferred outflows of resources                              |                         |                  |                   |
| Deferred outflows related to pension                        | 268,025                 | -                | 268,025           |
| Deferred outflows related to OPEB                           | 20,007                  | -                | 20,007            |
| <b>Total deferred outflows of resources</b>                 | <b>288,032</b>          | <b>-</b>         | <b>288,032</b>    |
| <b>Total assets and deferred outflows of resources</b>      | <b>\$ 14,191,513</b>    | <b>182,506</b>   | <b>14,374,019</b> |
| LIABILITIES   |                         |                  |                   |
| Current liabilities   |                         |                  |                   |
| Accounts payable  | \$ 107,948              | 57,599           | 165,547           |
| Accrued payroll   | 3,485                   | -                | 3,485             |
| Due to other funds  | -                       | 414,873          | 414,873           |
| Accrued interest payable                                    | 58,012                  | -                | 58,012            |
| Accrued compensated absences                                | 72,742                  | -                | 72,742            |
| Bonds payable   | 21,189                  | -                | 21,189            |
| Loans and capital leases payable                            | 372,630                 | -                | 372,630           |
| <b>Total current liabilities</b>                            | <b>636,006</b>          | <b>472,472</b>   | <b>1,108,478</b>  |
| Noncurrent liabilities                                      |                         |                  |                   |
| Accrued compensated absences                                | 44,253                  | -                | 44,253            |
| Bonds payable   | 641,011                 | -                | 641,011           |
| Loans and capital leases payable                            | 3,627,201               | -                | 3,627,201         |
| Accrued landfill closure costs                              | -                       | 206,250          | 206,250           |
| Net pension liability                                       | 951,838                 | -                | 951,838           |
| Net OPEB liability  | 1,022,772               | -                | 1,022,772         |
| <b>Total noncurrent liabilities</b>                         | <b>6,287,075</b>        | <b>206,250</b>   | <b>6,493,325</b>  |
| <b>Total liabilities</b>                                    | <b>6,923,081</b>        | <b>678,722</b>   | <b>7,601,803</b>  |
| DEFERRED INFLOWS OF RESOURCES                               |                         |                  |                   |
| Deferred inflows related to pension                         | 87,794                  | -                | 87,794            |
| Deferred inflows related to OPEB                            | 232,780                 | -                | 232,780           |
| <b>Total deferred inflows of resources</b>                  | <b>320,574</b>          | <b>-</b>         | <b>320,574</b>    |
| NET POSITION  |                         |                  |                   |
| Net investment in capital assets                            | 4,760,564               | -                | 4,760,564         |
| Restricted for:   |                         |                  |                   |
| Debt service  | 493,502                 | -                | 493,502           |
| Unrestricted, (Deficit)                                     | 1,693,792               | (496,216)        | 1,197,576         |
| <b>Total net position</b>                                   | <b>6,947,858</b>        | <b>(496,216)</b> | <b>6,451,642</b>  |
| <b>Total liabilities, deferred inflows and net position</b> | <b>\$ 14,191,513</b>    | <b>182,506</b>   | <b>14,374,019</b> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

|  | Enterprise Funds                    |                    |                  |
|--|-------------------------------------|--------------------|------------------|
|  | 500, 505<br>Water and<br>Wastewater | 510<br>Solid Waste | Total            |
| <b>OPERATING REVENUES</b>                              |                                     |                    |                  |
| Charges for services                                   | \$ 5,398,749                        | 724,991            | 6,123,740        |
| <b>Total operating revenues</b>                        | <u>5,398,749</u>                    | <u>724,991</u>     | <u>6,123,740</u> |
| <b>OPERATING EXPENSES</b>                              |                                     |                    |                  |
| Payroll and benefits                                   | 1,107,583                           | -                  | 1,107,583        |
| Contractual services                                   | 333,616                             | 713,442            | 1,047,058        |
| Supplies and services                                  | 404,728                             | 116,929            | 521,657          |
| Repairs and maintenance                                | 216,423                             | -                  | 216,423          |
| Utilities  | 584,168                             | -                  | 584,168          |
| Depreciation   | 544,235                             | -                  | 544,235          |
| <b>Total operating expenses</b>                        | <u>3,190,753</u>                    | <u>830,371</u>     | <u>4,021,124</u> |
| Operating income (loss)                                | <u>2,207,996</u>                    | <u>(105,380)</u>   | <u>2,102,616</u> |
| <b>Non-operating revenues (expenses)</b>               |                                     |                    |                  |
| Gross receipts taxes                                   | -                                   | 195,927            | 195,927          |
| Interest expense                                       | (132,217)                           | -                  | (132,217)        |
| Investment income                                      | 26,040                              | -                  | 26,040           |
| Bad debt expense                                       | (67,186)                            | -                  | (67,186)         |
| Gain (loss) on disposal of assets                      | (2,121)                             | -                  | (2,121)          |
| Amortization of landfill liability                     | -                                   | 13,750             | 13,750           |
| <b>Total deferred outflows of resources</b>            | <u>(175,484)</u>                    | <u>209,677</u>     | <u>34,193</u>    |
| Income before contributions and transfers              | 2,032,512                           | 104,297            | 2,136,809        |
| Transfers in   | 447,653                             | -                  | 447,653          |
| Transfers out  | (889,081)                           | (67,825)           | (956,906)        |
| <b>Total contributions and transfers</b>               | <u>(441,428)</u>                    | <u>(67,825)</u>    | <u>(509,253)</u> |
| Change in net position                                 | 1,591,084                           | 36,472             | 1,627,556        |
| Net position - beginning of year, as originally stated | 7,104,793                           | (430,885)          | 6,673,908        |
| Restatement - GASBS 75 implementation                  | (1,214,890)                         | -                  | (1,214,890)      |
| Restatement - customer receivables                     | (403,645)                           | (101,803)          | (505,448)        |
| Restatement - government obligations                   | (319,783)                           | -                  | (319,783)        |
| Restatement - capital assets                           | 190,299                             | -                  | 190,299          |
| Net position - beginning of year, as restated          | <u>5,356,774</u>                    | <u>(532,688)</u>   | <u>4,824,086</u> |
| <b>Net position - end of year</b>                      | <u>\$ 6,947,858</u>                 | <u>(496,216)</u>   | <u>6,451,642</u> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS  
For the Year Ended June 30, 2018**

|  | Enterprise Funds                    |                    |                  |
|--|-------------------------------------|--------------------|------------------|
|  | 500, 505<br>Water and<br>Wastewater | 510<br>Solid Waste | Total            |
| Cash flows from operating activities                               |                                     |                    |                  |
| Cash received from user charges                                    | \$ 5,414,614                        | 679,573            | 6,094,187        |
| Cash payments to employees for services                            | (1,605,911)                         | -                  | (1,605,911)      |
| Cash payments to suppliers for goods and services                  | (1,548,926)                         | (835,323)          | (2,384,249)      |
| <b>Net cash provided (used) by operating activities</b>            | <u>2,259,777</u>                    | <u>(155,750)</u>   | <u>2,104,027</u> |
| Cash flows from noncapital financing activities                    |                                     |                    |                  |
| Gross receipts taxes   | -                                   | 195,922            | 195,922          |
| Interfund transfers (net)  | (441,428)                           | (67,825)           | (509,253)        |
| Interfund loaned (repaid) received                                 | -                                   | 27,653             | 27,653           |
| <b>Net cash provided (used) by noncapital financing activities</b> | <u>(441,428)</u>                    | <u>155,750</u>     | <u>(285,678)</u> |
| Cash flows from capital and related financing activities           |                                     |                    |                  |
| Interest paid  | (132,370)                           | -                  | (132,370)        |
| Principal payments on bonds and loans                              | (714,520)                           | -                  | (714,520)        |
| <b>Net cash used by capital and related financing activities</b>   | <u>(846,890)</u>                    | <u>-</u>           | <u>(846,890)</u> |
| Cash flows from investing activities                               |                                     |                    |                  |
| Investment income  | 26,040                              | -                  | 26,040           |
| <b>Net cash provided by investing activities</b>                   | <u>26,040</u>                       | <u>-</u>           | <u>26,040</u>    |
| Net increase in cash and cash equivalents                          | 997,499                             | -                  | 997,499          |
| Cash and cash equivalents - beginning of year                      | 3,070,886                           | -                  | 3,070,886        |
| <b>Cash and cash equivalents - end of year</b>                     | <u>\$ 4,068,385</u>                 | <u>-</u>           | <u>4,068,385</u> |
| Per Statement of Net Position                                      |                                     |                    |                  |
| Cash and cash equivalents  | \$ 3,515,954                        | -                  | 3,515,954        |
| Investments  | 58,929                              | -                  | 58,929           |
| Restricted investments   | 493,502                             | -                  | 493,502          |
| <b>Total</b>   | <u>\$ 4,068,385</u>                 | <u>-</u>           | <u>4,068,385</u> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2018**

|  | Enterprise Funds                    |                    | Total            |
|--|-------------------------------------|--------------------|------------------|
|  | 500, 505<br>Water and<br>Wastewater | 510<br>Solid Waste |                  |
| Reconciliation of operating income to net cash provided<br>(used) by operating activities:               |                                     |                    |                  |
| Operating income (loss)  | \$ 2,207,996                        | (105,380)          | 2,102,616        |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities: |                                     |                    |                  |
| Depreciation   | 544,235                             | -                  | 544,235          |
| Noncash pension expense (benefit)  | (495,056)                           | -                  | (495,056)        |
| Noncash OPEB expense   | 20,655                              | -                  | 20,655           |
| Changes in assets, deferred outflows, and liabilities:   |                                     |                    |                  |
| Receivables  | 15,865                              | (45,418)           | (29,553)         |
| Accounts payable   | (9,991)                             | (4,952)            | (14,943)         |
| Accrued payroll  | (38,796)                            | -                  | (38,796)         |
| Compensated absences   | 14,869                              | -                  | 14,869           |
| Net cash provided (used) by operating activities   | \$ <u>2,259,777</u>                 | <u>(155,750)</u>   | <u>2,104,027</u> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
STATEMENT OF FIDUCIARY ASSETS AND  
LIABILITIES AGENCY FUNDS  
June 30, 2018**

**ASSETS**

|                     |    |                       |
|---------------------|----|-----------------------|
| Cash                | \$ | 392,672               |
| Investments         |    | 43,000                |
| Accounts receivable |    | <u>3,932</u>          |
| <b>Total assets</b> | \$ | <u><u>439,604</u></u> |

**LIABILITIES**

|                          |    |                       |
|--------------------------|----|-----------------------|
| Bond deposits payable    | \$ | 70,072                |
| Due to other entities    |    | <u>369,532</u>        |
| <b>Total liabilities</b> | \$ | <u><u>439,604</u></u> |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

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

The 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, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

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

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

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

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.

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. 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.



STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The City reports the following major governmental funds:

**General Fund.** 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.

**Municipal Service Improvements Special Revenue Fund.** The 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.

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

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

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

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

Additionally, the City reports the following fund types.

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

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

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

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position and Fund Equity**

**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 and 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 investment accounts are certificate of deposits with original maturities in excess of three months from the date of acquisition and are reported as 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.

**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.

STATE OF NEW MEXICO  
 CITY OF ESPAÑOLA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position and Fund Equity (Continued)**

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. Assets capitalized under previous lower thresholds can be removed from the asset listing. 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>Asset Type</u>                 | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements        | 20-40        |
| Infrastructure                    | 40-60        |
| Vehicles, furniture and equipment | 5-10         |

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position and Fund Equity (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 inflows in the governmental funds balance sheet. The uncollected portion of property taxes receivables as of June 30, 2018 totaled \$182,278.

**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.

**Postemployment Benefits:** For purposes of measuring the net pension liability and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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 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.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position and Fund Equity (Continued)

Deferred Inflows of Resources (continued)

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.

**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 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.

**Fund Balance Classification Policies and Procedures:** Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The Statement only applied to Governmental funds and does not extend to Proprietary fund types. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts not in a spendable form, such as prepaid expenses, inventories, or long-term portions of receivables or property held for resale, if the use of the proceeds from the collection/sale of property held for resale is not otherwise constrained. Nonspendable amounts also include amounts legally or contractually required to remain intact, such as the principal of a permanent fund. At June 30, 2018, the City did not have any fund balances in this classification.
- *Restricted* – Amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). At June 30, 2018, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$8,359,042 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 on page 6.
- *Committed* – Amounts constrained to specific purposes by the governmental entity's highest level of decision-making authority (the City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes the same highest level action to remove or change the constraint. 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. At June 30, 2018 this amounts to \$847,228 and is reported as committed fund balance.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position and Fund Equity (Continued)**

- *Assigned* – Amounts constrained by the City to be used for a specific purpose. Intent can be expressed by the governing body (City Commission) or an official or body to which the governing body delegates authority. At June 30, 2018, the City did not have any fund balances in this classification.
- *Unassigned* – Balances available for any purpose. Positive amounts are reported only in the general fund.

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.

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

- 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.
- 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.
- Unrestricted Net Position: All other net position amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

**E. 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.

**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. 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.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-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, 2018.

**STATE OF NEW MEXICO  
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**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

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, and are insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

**Custodial Credit Risk** – 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 state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, the carrying amount of the City's deposits was \$11,246,767, and the bank balance was \$11,821,889 which is exposed to custodial credit risk as follows.

|   |                     |
|---|---------------------|
| Uninsured and uncollateralized  | \$ 11,071,889       |
| Pledged collateral held by the pledging Financial Institution's trust department but not in the City's name | <u>6,255,713</u>    |
| Uninsured and uncollateralized  | <u>\$ 4,816,176</u> |

The collateral pledged is listed on the Schedule of Collateral Pledged by Depository for Public Funds 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.

**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, 2018, the City's investment in the New Mexico LGIP was rated as AAAM by Standard & Poor's.



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

The City also 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 and USDA Rural Development (RUS) loans. NMFA and RUS 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. The funds are invested in U.S Treasuries Money Market and Mutual Funds which are issued and backed by the full faith and credit of the United States Government, and thus there is no custodial credit risk.

Additionally, the City has investments which are managed by NMFA, on deposit with the State Treasurer’s office (STO), in NMFA’s name for the benefit of the City. 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.

The City’s investments at June 30, 2018 include the following:

| <u>Investments</u>  | <u>Rated</u> | <u>Weighted Avg.<br/>Maturity</u> | <u>Fair Value</u>  |
|---|--------------|-----------------------------------|--------------------|
| U.S. Treasury Money Market Mutual Funds<br>held with Bank of Albuquerque        | Aaa **       | <90 days                          | 493,502            |
| U.S. Treasury Money Market Mutual Funds<br>held with Bank of Albuquerque - NMFA | Aaa **       | <90 days                          | <u>2,051,022</u>   |
|   |              |                                   | <u>\$2,544,524</u> |

\*\* Based on Moody’s rating

Funds held in the LGIP are included in cash and cash equivalents on the statement of net position. Funds held with Bank of Albuquerque are included in restricted investments.

**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).

The City has presented certificates of deposits of \$229,368 as investments in the Statement of Net Position; however, these are classified as deposits for disclosure purposes.

**STATE OF NEW MEXICO  
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June 30, 2018**

**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 active 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 \$1,808,755 in New MexiGROW LGIP and \$2,544,524 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, 2018:

| <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
|---------------------|----------------|----------------|---------------------|
| <u>\$ 4,353,279</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 4,353,279</u> |

**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2018, are as follows:

| <b>Governmental Activities</b> | <b>General Fund</b> | <b>Municipal Service Improvements</b> | <b>Infrastructure Capital Projects</b> | <b>Other Governmental Funds</b> | <b>Total</b>     |
|--------------------------------|---------------------|---------------------------------------|--|---------------------------------|------------------|
| Property taxes receivable      | \$ 205,241          | -                                     | -                                      | -                               | 205,241          |
| Other receivables:             |                     |                                       |  |                                 |                  |
| Gross receipts                 | 1,448,202           | 118,324                               | 179,922                                | -                               | 1,746,448        |
| Gasoline tax                   | -                   | -                                     | -                                      | 55,696                          | 55,696           |
| Motor vehicle tax              | 19,675              | -                                     | -                                      | -                               | 19,675           |
| Lodger's taxes                 | -                   | -                                     | -                                      | 6,469                           | 6,469            |
| Due from other governments:    |                     |                                       |  |                                 |                  |
| Intergovernmental:             |                     |                                       |  |                                 |                  |
| Federal grants                 | -                   | -                                     | -                                      | 22,080                          | 22,080           |
| State grants                   | -                   | -                                     | -                                      | 147,051                         | 147,051          |
| Miscellaneous                  | -                   | -                                     | -                                      | 5,066                           | 5,066            |
| Total receivables              | <u>\$ 1,673,118</u> | <u>118,324</u>                        | <u>179,922</u>                         | <u>236,362</u>                  | <u>2,207,726</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, 2018 was \$182,278.

| <b>Business -Type Activities:</b>     | <b>Water and Principal</b> | <b>Solid Waste</b> | <b>Total</b>       |
|---------------------------------------|----------------------------|--------------------|--------------------|
| Customer receivables                  | \$ 1,274,086               | 346,182            | 1,620,268          |
| Other receivables:                    |                            |                    |                    |
| Gross receipts taxes                  | -                          | 29,983             | 29,983             |
| Miscellaneous                         | -                          | -                  | -                  |
| Total gross receivables               | <u>1,274,086</u>           | <u>376,165</u>     | <u>1,650,251</u>   |
| Less: allowance for doubtful accounts | <u>(861,585)</u>           | <u>(193,659)</u>   | <u>(1,055,244)</u> |
| Total net receivables                 | <u>\$ 412,501</u>          | <u>182,506</u>     | <u>595,007</u>     |

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

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2018 is as follows:

| <b>Due To:</b> | <b>Due From:</b> |                             |             |              |
|----------------|------------------|-----------------------------|-------------|--------------|
|                | General Fund     | Nonmajor Governmental Funds | Solid Waste | Total        |
| General Fund   | \$ -             | \$ 705,229                  | \$ 414,873  | \$ 1,120,102 |

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

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows during the year ended June 30, 2018:

| <b>Transfer From:</b>       | <b>Transfer To:</b> |                          |                             |                           |                     |
|-----------------------------|---------------------|--------------------------|-----------------------------|---------------------------|---------------------|
|                             | General Fund        | Municipal Svc. Impr. SRF | Nonmajor Governmental Funds | Water and Wastewater Fund | Total               |
| General Fund                | \$ -                | -                        | 285,799                     | -                         | 285,799             |
| Municipal Svc. Impr. SRF    | -                   | -                        | 96,188                      | 419,284                   | 515,472             |
| Nonmajor Governmental Funds | 71,961              | -                        | 15,620                      | 28,369                    | 115,950             |
| Water and Wastewater Fund   | 592,000             | 91,114                   | 205,967                     | -                         | 889,081             |
| Solid Waste                 | 67,825              | -                        | -                           | -                         | 67,825              |
| <b>Total</b>                | <b>\$ 731,786</b>   | <b>\$ 91,114</b>         | <b>\$ 603,574</b>           | <b>\$ 447,653</b>         | <b>\$ 1,874,127</b> |

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and Historical Works of art are not subject to depreciation.

| <b>Governmental activities:</b>            | <b>Balance</b>       |                    |                    |                  | <b>Balance</b>       |
|--|----------------------|--------------------|--------------------|------------------|----------------------|
|  | <b>June 30, 2017</b> | <b>Adjustments</b> | <b>Additions</b>   | <b>Deletions</b> | <b>June 30, 2018</b> |
| Capital assets not being depreciated:      |                      |                    |                    |                  |                      |
| Land                                       | \$ 4,329,881         | -                  | -                  | -                | 4,329,881            |
| Construction in progress                   | -                    | -                  | 450,977            | -                | 450,977              |
| Historical Works of Art                    | 27,700               | -                  | -                  | -                | 27,700               |
| Total capital assets not being depreciated | <u>4,357,581</u>     | -                  | 450,977            | -                | <u>4,808,558</u>     |
| Capital assets being depreciated:          |                      |                    |                    |                  |                      |
| Buildings and improvements                 | 20,751,416           | -                  | 787,781            | -                | 21,539,197           |
| Infrastructure                             | 4,927,231            | -                  | 271,114            | -                | 5,198,345            |
| Vehicles, furniture and equipment          | 5,867,741            | 141,845            | 231,762            | (338,253)        | 5,903,095            |
| Total capital assets being depreciated     | <u>31,546,388</u>    | <u>141,845</u>     | <u>1,290,657</u>   | <u>(338,253)</u> | <u>32,640,637</u>    |
| Total assets                               | <u>35,903,969</u>    | <u>141,845</u>     | <u>1,741,634</u>   | <u>(338,253)</u> | <u>37,449,195</u>    |
| Less accumulated depreciation:             |                      |                    |                    |                  |                      |
| Building and improvements                  | (12,017,744)         | 213,878            | (463,227)          | -                | (12,267,093)         |
| Infrastructure                             | (4,411,382)          | (6,493)            | (151,822)          | -                | (4,569,697)          |
| Vehicles, furniture and equipment          | (4,833,191)          | 185,146            | (534,958)          | 324,742          | (4,858,261)          |
| Total accumulated depreciation             | <u>(21,262,317)</u>  | <u>392,531</u>     | <u>(1,150,007)</u> | <u>324,742</u>   | <u>(21,695,051)</u>  |
| Total capital assets, net of depreciation  | <u>\$ 14,641,652</u> | <u>534,376</u>     | <u>591,627</u>     | <u>(13,511)</u>  | <u>15,754,144</u>    |

Balances included in the adjustment column represent a restatement to beginning balances to reflect current schedules. Depreciation expense for the year ended June 30, 2018 was \$1,150,007 and was allocated to the following functions in the statement of activities as follows:

|                        |                     |
|------------------------|---------------------|
| General government     | \$ 161,950          |
| Public safety          | 361,439             |
| Public works           | 338,485             |
| Culture and recreation | <u>288,133</u>      |
| Total                  | <u>\$ 1,150,007</u> |

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

| <b>Business-type activities:</b>          | <b>Balance</b>       |                    |                  |                  | <b>Balance</b>       |  |
|---|----------------------|--------------------|------------------|------------------|----------------------|--|
|   | <b>June 30, 2017</b> | <b>Adjustments</b> | <b>Additions</b> | <b>Deletions</b> | <b>June 30, 2018</b> |  |
| Capital assets being depreciated:         |                      |                    |                  |                  |                      |  |
| Buildings and improvements                | 9,920,257            | -                  | -                | -                | 9,920,257            |  |
| Infrastructure                            | 5,492,166            | -                  | -                | -                | 5,492,166            |  |
| Vehicles, furniture and equipment         | 1,330,833            | 687,527            | -                | (80,672)         | 1,937,688            |  |
| Total capital assets being depreciated    | <u>16,743,256</u>    | <u>687,527</u>     | <u>-</u>         | <u>(80,672)</u>  | <u>17,350,111</u>    |  |
| Less accumulated depreciation:            |                      |                    |                  |                  |                      |  |
| Building and improvements                 | (3,732,506)          | (134,942)          | (237,215)        | -                | (4,104,663)          |  |
| Infrastructure                            | (2,319,729)          | (64,988)           | (100,257)        | -                | (2,484,974)          |  |
| Vehicles, furniture and equipment         | (912,369)            | (297,298)          | (206,763)        | 78,551           | (1,337,879)          |  |
| Total accumulated depreciation            | <u>(6,964,604)</u>   | <u>(497,228)</u>   | <u>(544,235)</u> | <u>78,551</u>    | <u>(7,927,516)</u>   |  |
| Total capital assets, net of depreciation | <u>\$ 9,778,652</u>  | <u>190,299</u>     | <u>(544,235)</u> | <u>(2,121)</u>   | <u>9,422,595</u>     |  |

Balances included in the adjustment column represent a restatement to beginning balances to reflect current schedules. Depreciation expense totaling \$544,235 was charged to water and wastewater fund for fiscal year ending June 30, 2018.

**NOTE 7. LONG-TERM DEBT**

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

| <b>Governmental activities:</b> | <b>Balance</b>      |                    |                  |                    | <b>Balance</b>   | <b>Due Within</b> |
|---------------------------------|---------------------|--------------------|------------------|--------------------|------------------|-------------------|
|                                 | <b>06/30/2017</b>   | <b>Adjustments</b> | <b>Additions</b> | <b>Retirements</b> | <b>6/30/2018</b> | <b>One Year</b>   |
| NMFA loans                      | \$ 6,228,639        | -                  | 1,252,257        | 502,542            | 6,978,354        | 764,502           |
| Notes payable                   | -                   | 40,009             | -                | 40,009             | -                | -                 |
| Law enforcement bonds           | 14,800              | -                  | -                | 14,800             | -                | -                 |
| Capital lease                   | 57,329              | -                  | -                | 57,329             | -                | -                 |
| Compensated absences            | 754,029             | -                  | 467,968          | 437,266            | 784,731          | 437,266           |
| Total long-term debt            | <u>\$ 7,054,797</u> | <u>40,009</u>      | <u>1,720,225</u> | <u>1,051,946</u>   | <u>7,763,085</u> | <u>1,201,768</u>  |

**STATE OF NEW MEXICO  
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June 30, 2018**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**NMFA Loans**

The City has entered into five loan agreements with the New Mexico Finance Authority, wherein the City pledged revenue derived from State-Shared Gross Receipts Tax to cover debt service. The NMFA loans are as follows:

| <b>Revenue Bonds<br/>Description</b> | <b>Date of<br/>Issue</b> | <b>Due<br/>Date</b> | <b>Interest<br/>Rate</b> | <b>Original<br/>Amount<br/>of Issue</b> |
|--------------------------------------|--------------------------|---------------------|--------------------------|---|
| NMFA 2007B PPRF – Espanola 8         | 9/01/2007                | 3/01/2025           | 3.29-3.97%               | 7,700,000                               |
| NMFA 2549 – Espanola 12              | 2/04/2011                | 5/01/2017           | 3.306%                   | 1,461,097                               |
| NMFA 2550 – Espanola 13              | 2/04/2011                | 5/01/2023           | 3.247%                   | 2,415,000                               |
| NMFA 3639-PP                         | 2/24/2017                | 9/01/2025           | 1.14-2.53%               | 4,290,000                               |
| NMFA PPRF-4697 – Fire Truck          | 6/08/2018                | 5/01/2033           | 1.71-3.08%               | 1,252,257                               |

The following schedule details debt service requirements to maturity for the City’s NMFA loans payable at June 30, 2018:

**Notes Payable**

The City entered into a 5 year government obligation contract totaling \$186,653 at an interest rate of 3.5% for the purchase of a street sweeper in January 2014 which matured on January 15, 2018. It was noted that in prior years this obligation was excluded from the notes payable listing in error. The balance as of July 1, 2017 of \$40,009 was recorded as a prior period adjustment and is included in the adjustment column in the rollforward above.

**Capital Lease Payable**

The City entered into a capital lease in a prior year in the amount of \$407,950 at an interest rate of 3.99% which matured on November 1, 2017.

| Year ended | Total Debt       |                |                  |
|------------|------------------|----------------|------------------|
|            | Principal        | Interest       | Service          |
| June 30:   |                  |                |                  |
| 2019       | 764,502          | 166,331        | 930,833          |
| 2020       | 782,994          | 153,697        | 936,691          |
| 2021       | 799,330          | 135,955        | 935,285          |
| 2022       | 810,794          | 116,449        | 927,243          |
| 2023       | 1,072,355        | 95,598         | 1,167,953        |
| 2024-2028  | 2,276,046        | 170,770        | 2,446,816        |
| 2029-2033  | 472,333          | 23,219         | 495,552          |
|            | <u>6,978,354</u> | <u>862,019</u> | <u>7,840,373</u> |

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 7. LONG-TERM DEBT (CONTINUED)

| Business-type activities:  | Balance             |                |               |                | Balance 6/30/2018 | Due Within One Year |
|----------------------------|---------------------|----------------|---------------|----------------|-------------------|---------------------|
|                            | 06/30/2017          | Adjustments    | Additions     | Retirements    |                   |                     |
| NMFA loans                 | \$ 160,482          | -              | -             | 13,190         | 147,292           | 13,223              |
| RUS Bonds                  | 681,801             | -              | -             | 19,602         | 662,200           | 21,189              |
| NMED Loans                 | 4,214,485           | -              | -             | 540,492        | 3,673,992         | 301,921             |
| Notes Payable              | -                   | 319,783        | -             | 141,236        | 178,547           | 57,486              |
| Landfill Closure Liability | 220,000             | -              | -             | 13,750         | 206,250           | -                   |
| Compensated absences       | 102,126             | -              | 87,611        | 72,742         | 116,995           | 72,742              |
| Total long-term debt       | <u>\$ 5,378,894</u> | <u>319,783</u> | <u>87,611</u> | <u>801,012</u> | <u>4,985,276</u>  | <u>466,561</u>      |

Revenue Bonds

At June 30, 2018, the City had the following revenue bonds outstanding:

| Description | Date of Issue | Due Date   | Original Interest Rate | Amount of Issue |
|-------------|---------------|------------|------------------------|-----------------|
| 1996 RUS    | 12/18/1996    | 12/01/2036 | 5.13%                  | \$ 707,200      |
| 1997 RUS    | 3/31/1997     | 3/01/2037  | 5.00%                  | 225,000         |

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

The annual requirements to amortize the revenue bonds as of June 30, 2018, including interest payments, are as follows:

| Year Ended June 30, | Principal         | Interest       | Total Debt Service |
|---------------------|-------------------|----------------|--------------------|
| 2019                | \$ 21,189         | 33,863         | 55,052             |
| 2020                | 22,449            | 32,604         | 55,053             |
| 2021                | 23,721            | 31,332         | 55,053             |
| 2022                | 25,007            | 30,046         | 55,053             |
| 2023                | 26,307            | 28,745         | 55,052             |
| 2024-2028           | 151,596           | 124,669        | 276,265            |
| 2029-2033           | 195,706           | 84,558         | 280,264            |
| 2034-2037           | 196,225           | 28,713         | 224,938            |
|                     | <u>\$ 662,200</u> | <u>394,530</u> | <u>1,056,730</u>   |



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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**NMFA Loans, NMED Loans and Notes Payable**

The City entered into a 5 year government obligation contract totaling \$399,759 at an interest rate of 3.5% for the purchase of a vactor excavator in January 2014 which matured on January 15, 2018. Additionally in July 2015, the City entered into another obligation contract for the purchase of a vactor excavator totaling \$287,768 which matures July 1, 2020. It was noted that in prior years these obligations were excluded from the notes payable listing in error. The combined balance of both leases as of July 1, 2017 of \$319,783 was recorded as a prior period adjustment and is included in the adjustment column in the rollforward above.

The following schedule details debt service requirements to maturity for the City's loans payable at June 30, 2018:

| <b>Description</b>         | <b>Date of Issue</b> | <b>Due Date</b> | <b>Original Interest Rate</b> | <b>Amount of Issue</b> |
|----------------------------|----------------------|-----------------|-------------------------------|------------------------|
| 1991 NMED Wastewater       | 2/15/1991            | 2/01/2018       | 2.00%                         | \$3,669,670            |
| WTB 11-0110 – Espanola 11  | 12/11/2009           | 6/01/2029       | 2.50%                         | 258,000                |
| NMFA-1672-DW – Espanola 7  | 5/01/2005            | 5/01/2017       | 1.75%                         | 808,000                |
| 2007 NMED                  | 10/03/2006           | 12/01/2028      | 2.00%                         | 6,138,344              |
| 2016 Vactor Excavator Loan | 7/01/2016            | 7/01/2020       | 3.50%                         | 287,768                |

The annual requirements to amortize the NMFA, NMED loans and notes payable as of June 30, 2018, including interest payments, are as follows:

| Year Ended | Total Debt |                  |                |                  |
|------------|------------|------------------|----------------|------------------|
|            | June 30,   | Principal        | Interest       | Service          |
| 2019       | \$         | 372,630          | 64,075         | 436,705          |
| 2020       |            | 380,708          | 57,313         | 438,021          |
| 2021       |            | 388,978          | 50,386         | 439,364          |
| 2022       |            | 333,724          | 43,290         | 377,014          |
| 2023       |            | 340,165          | 38,245         | 378,410          |
| 2024-2028  |            | 1,802,028        | 111,952        | 1,913,980        |
| 2029       |            | 381,598          | 5,792          | 387,390          |
|            | <b>\$</b>  | <b>3,999,831</b> | <b>371,053</b> | <b>4,370,884</b> |

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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, 2018.

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, 2018, 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, 2018:

**Governmental funds**

|                                       |    |                  |
|---------------------------------------|----|------------------|
| High intensity drug trafficking areas | \$ | (4,677)          |
| NMLA capital improvements grant       |    | (36,061)         |
| NM DOT grant                          |    | (4,739)          |
| Federal W/WW Project Grant            |    | <u>(385,484)</u> |
| Total                                 | \$ | <u>(430,961)</u> |

**Enterprise Fund**

|             |    |                  |
|-------------|----|------------------|
| Solid waste | \$ | <u>(496,216)</u> |
|-------------|----|------------------|

**Actual expenditures in excess of amount budgeted at the budgetary authority level.** Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2018.

**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, 2018.

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**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)**

**Plan description.** Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits provided.** Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II** - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
(CONTINUED)**

*Contributions.* See PERA’s publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year, 2018. The PERA coverage options that apply to the City are: Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$692,924 and employer paid member benefits that were “picked up” by the employer were \$473,626 for the year ended June 30, 2018.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:***

*Municipal General Division,* at June 30, 2018, the City reported a liability of \$6,199,869 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City’s proportion was 0.4512%, which was an increase of 0.0269% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized Municipal General Division pension expense of \$817,521. At June 30, 2018, the City reported Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <b>Municipal General Division</b>  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Difference between expected and actual experience  | \$ 243,613                                    | 317,539                                      |
| Changes of assumptions   | 285,906                                       | 64,067                                       |
| Net difference between projected and actual earnings on<br>pension plan investments                              | 508,662                                       | -  |
| Changes in proportion and differences between The City<br>contributions and proportionate share of contributions | 324,611                                       | 190,247                                      |
| City contributions subsequent to the measurement date  | 383,005                                       | -  |
| <b>Total</b>   | <b>\$ 1,745,797</b>                           | <b>571,853</b>                               |

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**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
(CONTINUED)**

\$383,005 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | <u>Amount</u>     |
|----------------------------|-------------------|
| 2019                       | \$ 243,102        |
| 2020                       | 552,153           |
| 2021                       | 144,337           |
| 2022                       | (148,653)         |
| 2023                       | -                 |
| Thereafter                 | -                 |
|                            | <u>\$ 790,939</u> |

**Municipal Police Division**, at June 30, 2018, the City reported a liability of \$2,701,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City’s proportion was 0.4863%, which was an increase of 0.0482% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized Municipal Police Division pension expense of \$382,787. At June 30, 2018, the City reported Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <u>Municipal Police Division</u>  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 164,089                                    | 504,789                                      |
| Changes of assumptions  | 160,743                                       | 62,824                                       |
| Net difference between projected and actual earnings on pension plan investments                              | 217,586                                       | -  |
| Changes in proportion and differences between the City contributions and proportionate share of contributions | 189,952                                       | 30,138                                       |
| The City contributions subsequent to the measurement date   | <u>173,521</u>                                | <u>-</u>                                     |
| <b>Total</b>  | <u>\$ 905,891</u>                             | <u>597,751</u>                               |

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**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
(CONTINUED)**

\$173,521 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | <u>Amount</u>     |
|----------------------------|-------------------|
| 2019                       | \$ 39,296         |
| 2020                       | 182,987           |
| 2021                       | (24,045)          |
| 2022                       | (63,619)          |
| 2023                       | -                 |
| Thereafter                 | -                 |
|                            | <u>\$ 134,619</u> |

**Municipal Fire Division**, at June 30, 2018, the City reported a liability of \$2,899,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City’s proportion was 0.5068%, which was an increase of 0.0024% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$362,169. At June 30, 2018, the City reported PERA Fund Division; Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <b><u>Municipal Fire Division</u></b>   | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|---|--|---|
| Difference between expected and actual experience   | \$ 94,679  | 363,082   |
| Changes of assumption   | 114,634  | 18,179  |
| Net difference between projected and actual earnings on pension plan investments                              | 108,849  | -   |
| Changes in proportion and differences between the City contributions and proportionate share of contributions | 53,928   | 16,127  |
| The City contributions subsequent to the measurement date   | 136,398  | -   |
| <b>Total</b>  | <u>\$ 508,488</u>                                    | <u>397,388</u>                                      |

**STATE OF NEW MEXICO  
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**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
(CONTINUED)**

\$136,398 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | <u>Amount</u>      |
|----------------------------|--------------------|
| 2019                       | \$ 37,349          |
| 2020                       | 40,461             |
| 2021                       | (71,747)           |
| 2022                       | (31,361)           |
| 2023                       | -                  |
| Thereafter                 | -                  |
|                            | <u>\$ (25,298)</u> |

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

|                              |  |
|------------------------------|--|
| Actuarial valuation date     | June 30, 2016  |
| Actuarial cost method        | Entry age normal   |
| Amortization method          | Level percentage of pay  |
| Amortization period          | Solved for based on statutory rates  |
| Asset valuation method       | 4 Year smoothed market value   |
| Actuarial assumptions:       |  |
| • Investment rate of return  | 7.51% annual rate, net of investment expense   |
| • Projected benefit payment  | 100 years  |
| • Payroll growth             | 2.75% for first 9 years, then 3.25% annual rate  |
| • Projected salary increases | 2.75% to 14.00% annual rate  |
| • Includes inflation at      | 2.25% annual rate first 9 years, 2.75% all other years   |
| • Mortality Assumption       | RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| • Experience Study Dates     | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)  |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

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**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
(CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                               | Target Allocation | Long-Term Expected Real Rate of Return |
|---|-------------------|--|
| Global Equity                             | 43.5%             | 7.39%                                  |
| Risk Reduction & Mitigation               | 21.5              | 1.79                                   |
| Credit Oriented Fixed Income              | 15.0              | 5.77                                   |
| Real Assets to include Real Estate Equity | 20.0              | 7.35                                   |
| Total                                     | 100.0%            |  |

**Discount rate:** A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.



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**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
 (CONTINUED)**

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

|  | <b>1% Decrease<br/>(6.51%)</b> | <b>Current<br/>Discount Rate<br/>(7.51%)</b> | <b>1% Increase<br/>(8.51%)</b> |
|--|--------------------------------|--|--------------------------------|
| <b>PERA Fund Division</b>                                  |                                |  |                                |
| <b>Municipal General Division:</b>                         |                                |  |                                |
| City’s proportionate share<br>of the net pension liability | \$ 9,717,243                   | 6,199,869                                    | 3,274,684                      |
| <b>PERA Fund Division</b>                                  |                                |  |                                |
| <b>Municipal Police Division:</b>                          |                                |  |                                |
| City’s proportionate share<br>of the net pension liability | \$ 4,308,487                   | 2,701,716                                    | 1,383,122                      |
| <b>PERA Fund Division</b>                                  |                                |  |                                |
| <b>Municipal Fire Division:</b>                            |                                |  |                                |
| City’s proportionate share<br>of the net pension liability | \$ 3,886,252                   | 2,899,628                                    | 2,086,560                      |

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA financial report available at [www.nmpera.org](http://www.nmpera.org).

*Payables to the pension Plan.* There were no unpaid contractually required employer contributions outstanding to PERA at June 30, 2018. 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, 2018 but paid in July 2018.

**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**General Information about the OPEB**

*Plan description.* Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms.** At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

|  |                |
|--|----------------|
| Current retirees and surviving spouses     | 51,208         |
| Inactive and eligible for deferred benefit | 11,478         |
| Current active members                     | 97,349         |
|  | <u>160,035</u> |
| Active membership                          |                |
| State general                              | 19,593         |
| State police and corrections               | 1,886          |
| Municipal general                          | 21,004         |
| Municipal police                           | 3,820          |
| Municipal FTRE                             | 2,290          |
| Educational Retirement Board               | 48,756         |
|  | <u>97,349</u>  |

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$118,564 and employer paid member benefits that were “picked up” by the employer were \$59,282 for the year ended June 30, 2018.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(Continued)

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the City reported a liability of \$6,061,113 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City’s proportion was 0.13375 percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$240,976. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience                                | \$ -  | 232,593                                      |
| Changes of assumptions   | -   | 1,059,708                                    |
| Net difference between projected and actual earnings on<br>OPEB plan investments | -   | 87,193                                       |
| City contributions subsequent to the measurement date                            | 118,564                                       | -  |
| <b>Total</b>   | <u>\$ 118,564</u>                             | <u>1,379,494</u>                             |

Deferred outflows of resources totaling \$118,564 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | <u>Amount</u>         |
|----------------------------|-----------------------|
| 2019                       | \$ (293,290)          |
| 2020                       | (293,290)             |
| 2021                       | (293,290)             |
| 2022                       | (293,290)             |
| 2023                       | (206,334)             |
| Thereafter                 | -                     |
|                            | <u>\$ (1,379,494)</u> |

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

|                             |  |   |
|-----------------------------|--|---|
| Valuation Date              |  | June 30, 2017   |
| Actuarial cost method       |  | Entry age normal, level percent of pay, calculated on individual employee basis   |
| Asset valuation method      |  | Market value of assets  |
| Actuarial assumptions:      |  |   |
| Inflation                   |  | 2.5% for ERB; 2.25% for PERA  |
| Projected payroll increases |  | 3.50%   |
| Investment rate of return   |  | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation   |
| Health care cost trend rate |  | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs |

*Rate of Return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

| <u>Asset Class</u>            | <u>Long-Term<br/>Rate of Return</u> |
|-------------------------------|-------------------------------------|
| U.S. core fixed income        | 4.1%                                |
| U.S. equity - large cap       | 9.1                                 |
| Non U.S. - emerging markets   | 12.2                                |
| Non U.S. - developed equities | 9.8                                 |
| Private equity                | 13.8                                |
| Credit and structured finance | 7.3                                 |
| Real estate                   | 6.9                                 |
| Absolute return               | 6.1                                 |
| U.S. equity - small/mid cap   | 9.1                                 |

STATE OF NEW MEXICO  
 CITY OF ESPAÑOLA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
 (CONTINUED)**

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

|   | <b>1% Decrease<br/>(2.81%)</b> | <b>Current<br/>Discount Rate<br/>(3.81%)</b> | <b>1% Increase<br/>(4.81%)</b> |
|---|--------------------------------|--|--------------------------------|
| City’s proportionate share<br>of the net OPEB liability | \$ 7,352,035                   | 6,061,113                                    | 5,048,268                      |

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|   | <b>1% Decrease<br/>(2.81%)</b> | <b>Current<br/>Discount Rate<br/>(3.81%)</b> | <b>1% Increase<br/>(4.81%)</b> |
|---|--------------------------------|--|--------------------------------|
| City’s proportionate share<br>of the net OPEB liability | \$ 5,155,394                   | 6,061,113                                    | 6,767,350                      |

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

**Payables to the OPEB Plan.** At June 30, 2018, the City did not report any payables for outstanding contributions due to NMRHCA.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**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.

**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 \$206,250 as of June 30, 2018. 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.

The estimated cost of monitoring the ground water, soil, and gas each year is estimated to be \$13,750. The amortization of the liability is reported in the Statement of Revenues, Expenses and Changes in Net Position.

**NOTE 14. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is February 25, 2019, 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.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS**

The City adopted the following new accounting standards in the year ended June 30, 2018.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement does not have a material effect on the financial statements of the City. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. This statement is not applicable to the City.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The City has implemented this standard accordingly in the current year.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016 (FY 2018). Earlier application is encouraged. This statement is not applicable to the City.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The City has implemented this standard accordingly in the current year.

The following standards have been issued but have future implementation dates. Management anticipates that these pronouncements, if applicable, upon adoption will not have a significant impact on the City’s financial position or results of operations.

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is applicable to the City.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged.

**NOTE 17. RESTATEMENT OF NET POSITION**

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*. The objective of a net position restatement is to accurately reflect prior period's net position and improve the relevancy and usefulness of financial information. In addition to the restatement related to GASB Statement No. 75, the City also restated net position in order to correct prior period balances as follows:

|  | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Net position as previously reported at June 30, 2017   | \$ 11,799,222              | 6,673,908                   |
| Prior period adjustment-implementation of GASB 75:   |                            |                             |
| Net OPEB liability (measurement date as of<br>June 30, 2016)   | (6,080,203)                | (1,234,268)                 |
| Deferred outflows-City contributions made<br>during fiscal year 2017                                   | 95,458                     | 19,378                      |
| Adjustment to agree accumulated depreciation and capital<br>assets to current supporting documentation | 534,376                    | 190,299                     |
| Adjustment to agree customer receivables to current<br>supporting documentation                        | -                          | (505,448)                   |
| Adjustment to record governmental obligations incurred<br>in prior years                               | (40,009)                   | (319,783)                   |
| Total prior period adjustment  | <u>(5,490,378)</u>         | <u>(1,849,822)</u>          |
| Net position as restated, July 1, 2017   | <u>\$ 6,308,844</u>        | <u>4,824,086</u>            |



**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\***

| Fiscal Year<br>Measurement Date   | <b>June 30:</b> |              |              |              |
|---|-----------------|--------------|--------------|--------------|
|   | 2018<br>2017    | 2017<br>2016 | 2016<br>2015 | 2015<br>2014 |
| The City's proportion of the net pension liability (asset) (%)  | 0.4512%         | 0.4243%      | 0.4550%      | 0.4295%      |
| The City's proportionate share of the net pension liability (asset) (\$)                                      | \$ 6,199,869    | 6,778,886    | 4,689,079    | 3,350,561    |
| The City's covered payroll  | \$ 3,963,449    | 3,801,920    | 3,796,076    | 3,511,876    |
| The City's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | 156.43%         | 178.30%      | 123.52%      | 95.41%       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 73.74%          | 69.18%       | 76.99%       | 81.29%       |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

*The Notes to Required Supplementary Information are an integral part of this statement.*

**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\***

| Fiscal Year<br>Measurement Date   | <b>June 30:</b> |           |           |           |
|---|-----------------|-----------|-----------|-----------|
|   | 2018            | 2017      | 2016      | 2015      |
|   | 2017            | 2016      | 2015      | 2014      |
| The City's proportion of the net pension liability (asset) (%)  | 0.4863%         | 0.4381%   | 0.4481%   | 0.4526%   |
| The City's proportionate share of the net pension liability (asset) (\$) \$                                   | 2,701,716       | 3,232,432 | 2,154,716 | 1,475,427 |
| The City's covered payroll \$   | 1,007,490       | 907,206   | 878,776   | 859,517   |
| The City's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | 268.16%         | 356.31%   | 245.20%   | 171.66%   |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 73.74%          | 69.18%    | 76.99%    | 81.29%    |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**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\***

| Fiscal Year<br>Measurement Date   | <b>June 30:</b> |              |              |              |
|---|-----------------|--------------|--------------|--------------|
|   | 2018<br>2017    | 2017<br>2016 | 2016<br>2015 | 2015<br>2014 |
| The City's proportion of the net pension liability (asset) (%)  | 0.5068%         | 0.5044%      | 0.5109%      | 0.4779%      |
| The City's proportionate share of the net pension liability (asset) (\$)                                      | \$ 2,899,628    | 3,364,861    | 2,636,848    | 1,994,752    |
| The City's covered payroll  | \$ 615,030      | 610,197      | 581,000      | 544,379      |
| The City's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | 471.46%         | 551.44%      | 453.85%      | 366.43%      |
| Plan fiduciary net position as a percentage of the total pension liability                                    | 73.74%          | 69.18%       | 76.99%       | 81.29%       |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
(PERA) PLAN PERA MUNICIPAL GENERAL DIVISION  
LAST 10 FISCAL YEARS\***

|  | <b>June 30:</b>  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
| Contractually required contribution                                  | \$ 383,005       | 378,510          | 360,500          | 362,525          |
| Contributions in relation to the contractually required contribution | <u>(383,005)</u> | <u>(378,510)</u> | <u>(360,500)</u> | <u>(362,525)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| The City's covered payroll   | \$ 4,010,524     | 3,963,449        | 3,801,920        | 3,796,076        |
| Contributions as a percentage of covered payroll                     | 9.55%            | 9.55%            | 9.48%            | 9.55%            |

\**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
PLAN PERA MUNICIPAL POLICE DIVISION  
LAST 10 FISCAL YEARS\***

|  | <b>June 30:</b>  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2018</b>      | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      |
| Contractually required contribution                                  | \$ 173,521       | 190,416          | 171,462          | 165,833          |
| Contributions in relation to the contractually required contribution | <u>(173,521)</u> | <u>(190,416)</u> | <u>(171,462)</u> | <u>(165,833)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| The City's covered payroll   | \$ 918,101       | 1,007,490        | 907,206          | 878,776          |
| Contributions as a percentage of covered payroll                     | 18.90%           | 18.90%           | 18.90%           | 18.87%           |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

*The Notes to Required Supplementary Information are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
PLAN PERA MUNICIPAL FIRE DIVISION  
LAST 10 FISCAL YEARS\***

|  | <b>June 30:</b>  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
| Contractually required contribution                                  | \$ 136,398       | 133,154          | 132,108          | 125,909          |
| Contributions in relation to the contractually required contribution | <u>(136,398)</u> | <u>(133,154)</u> | <u>(132,108)</u> | <u>(125,909)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| The City's covered payroll   | \$ 630,014       | 615,030          | 610,197          | 581,000          |
| Contributions as a percentage of covered payroll                     | 21.65%           | 21.65%           | 21.65%           | 21.67%           |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the city is not available prior to fiscal year 2015, the year the statement's requirements became effective.

*The Notes to Required Supplementary Information are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**  
**For the Year Ended June 30, 2018**

*Changes of benefit terms:* The PERA and COLA and retirement eligibility benefit changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

*Assumptions:* The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2017 report is available at <http://www.nmpera.org/>

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN  
LAST 10 FISCAL YEARS\***

|  | <b>June 30:</b> |
|--|-----------------|
| Fiscal year  | 2018            |
| Measurement date:  | 2017            |
| The City's proportion of the net OPEB liability  | 0.13375%        |
| The City's proportionate share of the net OPEB liability   | \$ 6,061,113    |
| The City's covered payroll   | \$ 5,558,383    |
| The City's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 109.04%         |
| Plan fiduciary net position as a percentage of the total OPEB liability                            | 11.34%          |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

*The Notes to Required Supplementary Information are an integral part of this statement.*



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS  
NEW MEXICO RETIREE HELATH CARE AUTHORITY PLAN  
LAST 10 FISCAL YEARS\***

|  | <u><b>June 30:</b></u> |
|--|------------------------|
|  | <u><b>2018</b></u>     |
| Contractually required contribution                                  | \$ 118,564             |
| Contributions in relation to the contractually required contribution | <u>118,564</u>         |
| Contribution deficiency (excess)                                     | <u><u>\$ -</u></u>     |
| The City's covered payroll   | \$ 5,558,383           |
| Contributions as a percentage of covered payroll                     | 2.13%                  |

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

*The Notes to Required Supplementary Information are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN  
For the Year Ended June 30, 2018**

*Changes in OPEB benefit provisions* . There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

*Changes in OPEB assumptions and methods* . The OPEB mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation and the ERB actuarial experience study. Accordingly, the PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. The ERB salary scale, inflation and payroll assumptions were updated to reflect changes used in the ERB June 30, 2016 experience study pension valuation. Assumptions including per capita costs, future trend for health costs, and medical election assumptions were updated. The actuarial assumptions are contained in section 3 of the RHCA GASB 74 Actuarial Report.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS**

**Recreation (103)** – 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 (104)** – 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 (105)** – 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 (107)** – To establish and account for grant funding awarded to the Police Department by the New Mexico Department of Transportation for the enforcement of occupant protection laws and ordinances aimed at increasing seat belt and proper child restraint usage pursuant to Section 66-7-501 to 66-7-511 NMSA 1978.

**COPS in Schools Grant (109)** – To establish and account for grant funding awarded to the Police Department by the U.S. Department of Justice to provide a School Resource Officer (SRO) Program for the Espanola Public Schools.

**Byrne Justice Assistance Grant (110)** – 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 under Grant 2010-SD-B9-006.

**Operation DWI State Grant (111)** – 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 (112)** – 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 (118)** – To account for grant funds for the City's EMS department pursuant to Section 24-10A-2 NMSA 1978.

**Wildland Grant (119)** – To account for grant funds to be used for wildland protection. This fund was authorized by the City Council.

**Public Safety Grants (125)** – To account for grant funds to be used for public safety, including federal department of justice grant funding.

**High Intensity Drug Trafficking Areas (126)** – To account for federal grant funds provided to the City to address drug trafficking in specially designated areas. This fund was authorized by the City Council.

**E-911 Grant (207)** – 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.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**Roads and Streets (210)** – 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 (211)** – 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 (212)** – To account for the Fire Department’s discretionary operations.

**Lodgers’ Tax (214)** – To account for lodgers’ taxes used to promote the City pursuant to Section 3-38-21 NMSA 1978.

**Lodgers’ Tax Promotional (215)** – To account for lodgers’ taxes used to promote the City pursuant to Section 3-38-21 NMSA 1978.

**Fiesta Council (216)** – To account for funds raised by the Fiesta Council to put on the Espanola Fiestas.

**U.S. Bureau of Reclamation (217)** – To account for grant funds to be used for emergency drought assistance.

**NMDOT Litter Control and Beautification (219)** – 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 (303)** – To establish and account for a capital replacement program.

**NM DOT Grant (304)** – To account for grants received from the State of New Mexico’s Department of Transportation.

**Federal W/WW Project Grant (316)** – To complete the wastewater project and to complete water projects.

**State Water Project Grants (318)** – To establish and account for a State water capital project.

**State Agency on Aging Grants (319)** – To account for the renovation of the senior building and to purchase equipment for the senior center.

**GRT Asset Replacement (320)** – Capital projects GRT revenues for asset replacement initiative.

**NMFA P&L Grant (321)** – To establish and account for funds pursuant to a planning grant with NMFA.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS  
JUNE 30, 2018**

**DEBT SERVICE FUNDS**

**2002 Bond Debt Service Fund (402)** - To account for the debt service payments of the 1999 – 2002 Bond Series.

**NMFA Debt Service (407)** – To account for the activities related to the debt intercept payments to the State of New Mexico.

**Trust Service Fund (414)** – To account for trust monies related to debt of the City.

**NMFA PPR Equipment Project Loan (416)** – To account for debt used to purchase and equip police vehicles.

**USDA Loan/Police Department (418)** - To account for debt used to purchase police vehicles and equipment.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special Revenue |               |                     |                       |
|--|-----------------|---------------|---------------------|-----------------------|
|  | 103             | 104           | 105                 | 107                   |
|  | Recreation      | Teen Court    | Weed and Seed Grant | Operation Buckle Down |
| <b>ASSETS</b>                              |                 |               |                     |                       |
| Cash and cash equivalents                  | \$ 584          | 28,310        | 535                 | 158                   |
| Investments                                | -               | -             | -                   | -                     |
| Taxes Receivable:                          |                 |               |                     |                       |
| Property tax                               | -               | -             | -                   | -                     |
| Gross receipts tax                         | -               | -             | -                   | -                     |
| Other tax                                  | -               | -             | -                   | -                     |
| Grants receivable                          | -               | -             | -                   | -                     |
| Other receivables                          | -               | -             | -                   | -                     |
| Due from other funds                       | -               | -             | -                   | -                     |
| <b>Total assets</b>                        | <u>\$ 584</u>   | <u>28,310</u> | <u>535</u>          | <u>158</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>       |                 |               |                     |                       |
| Liabilities:                               |                 |               |                     |                       |
| Accounts payable                           | \$ -            | 120           | -                   | -                     |
| Accrued payroll                            | -               | -             | -                   | -                     |
| Due to other funds                         | -               | -             | -                   | -                     |
| <b>Total liabilities</b>                   | <u>-</u>        | <u>120</u>    | <u>-</u>            | <u>-</u>              |
| Fund Balances:                             |                 |               |                     |                       |
| Spendable                                  |                 |               |                     |                       |
| Restricted for:                            |                 |               |                     |                       |
| Maintenance of roads                       | -               | -             | -                   | -                     |
| Fire departments                           | -               | -             | -                   | -                     |
| Culture and recreation                     | 584             | -             | 535                 | -                     |
| Public safety                              | -               | 28,190        | -                   | 158                   |
| Capital projects expenditures              | -               | -             | -                   | -                     |
| Debt service expenditures                  | -               | -             | -                   | -                     |
| Unassigned                                 | -               | -             | -                   | -                     |
| <b>Total fund balances</b>                 | <u>584</u>      | <u>28,190</u> | <u>535</u>          | <u>158</u>            |
| <b>Total liabilities and fund balances</b> | <u>\$ 584</u>   | <u>28,310</u> | <u>535</u>          | <u>158</u>            |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special Revenue          |                                      |                              |               |
|--|--------------------------|--------------------------------------|------------------------------|---------------|
|  | 109                      | 110                                  | 111                          | 112           |
|  | Cops in<br>Schools Grant | Byrne Justice<br>Assistance<br>Grant | Operation DWI<br>State Grant | Library Grant |
| <b>ASSETS</b>                              |                          |                                      |                              |               |
| Cash and cash equivalents                  | 40,000                   | 21,641                               | 3,176                        | 36,595        |
| Investments                                | -                        | -                                    | -                            | -             |
| Taxes Receivable:                          |                          |                                      |                              |               |
| Property tax                               | -                        | -                                    | -                            | -             |
| Gross receipts tax                         | -                        | -                                    | -                            | -             |
| Other tax                                  | -                        | -                                    | -                            | -             |
| Grants receivable                          | -                        | -                                    | -                            | -             |
| Other receivables                          | -                        | -                                    | -                            | -             |
| Due from other funds                       | -                        | -                                    | -                            | -             |
| <b>Total assets</b>                        | <u>40,000</u>            | <u>21,641</u>                        | <u>3,176</u>                 | <u>36,595</u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                          |                                      |                              |               |
| Liabilities:                               |                          |                                      |                              |               |
| Accounts payable                           | -                        | -                                    | -                            | 978           |
| Accrued payroll                            | -                        | -                                    | -                            | -             |
| Due to other funds                         | -                        | -                                    | -                            | -             |
| <b>Total liabilities</b>                   | <u>-</u>                 | <u>-</u>                             | <u>-</u>                     | <u>978</u>    |
| Fund Balances:                             |                          |                                      |                              |               |
| Spendable                                  |                          |                                      |                              |               |
| Restricted for:                            |                          |                                      |                              |               |
| Maintenance of roads                       | -                        | -                                    | -                            | -             |
| Fire departments                           | -                        | -                                    | -                            | -             |
| Culture and recreation                     | -                        | -                                    | -                            | 35,617        |
| Public safety                              | 40,000                   | 21,641                               | 3,176                        | -             |
| Capital projects expenditures              | -                        | -                                    | -                            | -             |
| Debt service expenditures                  | -                        | -                                    | -                            | -             |
| Unassigned                                 | -                        | -                                    | -                            | -             |
| <b>Total fund balances</b>                 | <u>40,000</u>            | <u>21,641</u>                        | <u>3,176</u>                 | <u>35,617</u> |
| <b>Total liabilities and fund balances</b> | <u>40,000</u>            | <u>21,641</u>                        | <u>3,176</u>                 | <u>36,595</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special Revenue |                |                      |                                       |
|--|-----------------|----------------|----------------------|---------------------------------------|
|  | 118             | 119            | 125                  | 126                                   |
|  | EMS             | Wildland Grant | Public Safety Grants | High Intensity Drug Trafficking Areas |
| <b>ASSETS</b>                              |                 |                |                      |                                       |
| Cash and cash equivalents                  | 13,534          | 29,915         | 4,917                | 60,591                                |
| Investments                                | -               | -              | -                    | -                                     |
| Taxes Receivable:                          |                 |                |                      |                                       |
| Property tax                               | -               | -              | -                    | -                                     |
| Gross receipts tax                         | -               | -              | -                    | -                                     |
| Other tax                                  | -               | -              | -                    | -                                     |
| Grants receivable                          | -               | -              | -                    | 18,542                                |
| Other receivables                          | -               | -              | -                    | -                                     |
| Due from other funds                       | -               | -              | -                    | -                                     |
| <b>Total assets</b>                        | <u>13,534</u>   | <u>29,915</u>  | <u>4,917</u>         | <u>79,133</u>                         |
| <b>LIABILITIES AND FUND BALANCES</b>       |                 |                |                      |                                       |
| Liabilities:                               |                 |                |                      |                                       |
| Accounts payable                           | 1,346           | -              | -                    | 1,810                                 |
| Accrued payroll                            | -               | -              | -                    | -                                     |
| Due to other funds                         | -               | -              | -                    | 82,000                                |
| <b>Total liabilities</b>                   | <u>1,346</u>    | <u>-</u>       | <u>-</u>             | <u>83,810</u>                         |
| Fund Balances:                             |                 |                |                      |                                       |
| Spendable                                  |                 |                |                      |                                       |
| Restricted for:                            |                 |                |                      |                                       |
| Maintenance of roads                       | -               | -              | -                    | -                                     |
| Fire departments                           | -               | -              | -                    | -                                     |
| Culture and recreation                     | -               | 29,915         | -                    | -                                     |
| Public safety                              | 12,188          | -              | 4,917                | -                                     |
| Capital projects expenditures              | -               | -              | -                    | -                                     |
| Debt service expenditures                  | -               | -              | -                    | -                                     |
| Unassigned                                 | -               | -              | -                    | (4,677)                               |
| <b>Total fund balances</b>                 | <u>12,188</u>   | <u>29,915</u>  | <u>4,917</u>         | <u>(4,677)</u>                        |
| <b>Total liabilities and fund balances</b> | <u>13,534</u>   | <u>29,915</u>  | <u>4,917</u>         | <u>79,133</u>                         |

The Notes to the Financial Statements are an integral part of this statement.



STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special Revenue |                   |                            |                    |
|--|-----------------|-------------------|----------------------------|--------------------|
|  | 207             | 210               | 211                        | 212                |
|  | E-911 Grant     | Roads and Streets | Law Enforcement Protection | Fire Discretionary |
| <b>ASSETS</b>                              |                 |                   |                            |                    |
| Cash and cash equivalents                  | 155,072         | 6,056             | 14,040                     | 13,458             |
| Investments                                | -               | -                 | -                          | -                  |
| Taxes Receivable:                          |                 |                   |                            |                    |
| Property tax                               | -               | -                 | -                          | -                  |
| Gross receipts tax                         | -               | -                 | -                          | -                  |
| Other tax                                  | -               | 55,696            | -                          | -                  |
| Grants receivable                          | -               | -                 | -                          | -                  |
| Other receivables                          | -               | -                 | -                          | -                  |
| Due from other funds                       | -               | -                 | -                          | -                  |
| <b>Total assets</b>                        | <u>155,072</u>  | <u>61,752</u>     | <u>14,040</u>              | <u>13,458</u>      |
| <b>LIABILITIES AND FUND BALANCES</b>       |                 |                   |                            |                    |
| Liabilities:                               |                 |                   |                            |                    |
| Accounts payable                           | 24,058          | -                 | -                          | -                  |
| Accrued payroll                            | -               | -                 | -                          | -                  |
| Due to other funds                         | 40,695          | -                 | -                          | -                  |
| <b>Total liabilities</b>                   | <u>64,753</u>   | <u>-</u>          | <u>-</u>                   | <u>-</u>           |
| Fund Balances:                             |                 |                   |                            |                    |
| Spendable                                  |                 |                   |                            |                    |
| Restricted for:                            |                 |                   |                            |                    |
| Maintenance of roads                       | -               | 61,752            | -                          | -                  |
| Fire departments                           | -               | -                 | -                          | -                  |
| Culture and recreation                     | -               | -                 | -                          | -                  |
| Public safety                              | 90,319          | -                 | 14,040                     | 13,458             |
| Capital projects expenditures              | -               | -                 | -                          | -                  |
| Debt service expenditures                  | -               | -                 | -                          | -                  |
| Unassigned                                 | -               | -                 | -                          | -                  |
| <b>Total fund balances</b>                 | <u>90,319</u>   | <u>61,752</u>     | <u>14,040</u>              | <u>13,458</u>      |
| <b>Total liabilities and fund balances</b> | <u>155,072</u>  | <u>61,752</u>     | <u>14,040</u>              | <u>13,458</u>      |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special Revenue |                          |                |                            |
|--|-----------------|--------------------------|----------------|----------------------------|
|  | 214             | 215                      | 216            | 217                        |
|  | Lodgers' Tax    | Lodgers' Tax Promotional | Fiesta Council | U.S. Bureau of Reclamation |
| <b>ASSETS</b>                              |                 |                          |                |                            |
| Cash and cash equivalents                  | 50,496          | 56,990                   | 15,660         | 38,919                     |
| Investments                                | -               | -                        | -              | -                          |
| Taxes Receivable:                          |                 |                          |                |                            |
| Property tax                               | -               | -                        | -              | -                          |
| Gross receipts tax                         | -               | -                        | -              | -                          |
| Other tax                                  | 6,469           | -                        | -              | -                          |
| Grants receivable                          | -               | -                        | -              | 480                        |
| Other receivables                          | -               | -                        | -              | -                          |
| Due from other funds                       | -               | -                        | -              | -                          |
| <b>Total assets</b>                        | <b>56,965</b>   | <b>56,990</b>            | <b>15,660</b>  | <b>39,399</b>              |
| <b>LIABILITIES AND FUND BALANCES</b>       |                 |                          |                |                            |
| Liabilities:                               |                 |                          |                |                            |
| Accounts payable                           | -               | -                        | -              | -                          |
| Accrued payroll                            | -               | -                        | -              | -                          |
| Due to other funds                         | -               | -                        | -              | -                          |
| <b>Total liabilities</b>                   | <b>-</b>        | <b>-</b>                 | <b>-</b>       | <b>-</b>                   |
| Fund Balances:                             |                 |                          |                |                            |
| Spendable                                  |                 |                          |                |                            |
| Restricted for:                            |                 |                          |                |                            |
| Maintenance of roads                       | -               | -                        | -              | -                          |
| Fire departments                           | -               | -                        | -              | -                          |
| Culture and recreation                     | 56,965          | 56,990                   | 15,660         | 39,399                     |
| Public safety                              | -               | -                        | -              | -                          |
| Capital projects expenditures              | -               | -                        | -              | -                          |
| Debt service expenditures                  | -               | -                        | -              | -                          |
| Unassigned                                 | -               | -                        | -              | -                          |
| <b>Total fund balances</b>                 | <b>56,965</b>   | <b>56,990</b>            | <b>15,660</b>  | <b>39,399</b>              |
| <b>Total liabilities and fund balances</b> | <b>56,965</b>   | <b>56,990</b>            | <b>15,660</b>  | <b>39,399</b>              |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|  | Special                                       | Capital Projects                      |                |                               |
|--|---|---------------------------------------|----------------|-------------------------------|
|  | Revenue                                       |                                       |                |                               |
|  | 219   | 303                                   | 304            | 316                           |
|  | NMDOT Litter<br>Control and<br>Beautification | NMLA Capital<br>Improvements<br>Grant | NM DOT Grant   | Federal W/WW<br>Project Grant |
| <b>ASSETS</b>                              |   |                                       |                |                               |
| Cash and cash equivalents                  | -   | -                                     | 13,853         | -                             |
| Investments                                | -   | -                                     | -              | -                             |
| Taxes Receivable:                          |   |                                       |                |                               |
| Property tax                               | -   | -                                     | -              | -                             |
| Gross receipts tax                         | -   | -                                     | -              | -                             |
| Other tax                                  | -   | -                                     | -              | -                             |
| Grants receivable                          | 33,000  | 95,509                                | -              | 21,600                        |
| Other receivables                          | -   | -                                     | -              | -                             |
| Due from other funds                       | -   | -                                     | -              | -                             |
| <b>Total assets</b>                        | <b>33,000</b>                                 | <b>95,509</b>                         | <b>13,853</b>  | <b>21,600</b>                 |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |                                       |                |                               |
| Liabilities:                               |   |                                       |                |                               |
| Accounts payable                           | -   | -                                     | -              | -                             |
| Accrued payroll                            | -   | -                                     | -              | -                             |
| Due to other funds                         | 20,162  | 131,570                               | 18,592         | 407,084                       |
| <b>Total liabilities</b>                   | <b>20,162</b>                                 | <b>131,570</b>                        | <b>18,592</b>  | <b>407,084</b>                |
| Fund Balances:                             |   |                                       |                |                               |
| Spendable                                  |   |                                       |                |                               |
| Restricted for:                            |   |                                       |                |                               |
| Maintenance of roads                       | -   | -                                     | -              | -                             |
| Fire departments                           | -   | -                                     | -              | -                             |
| Culture and recreation                     | 12,838  | -                                     | -              | -                             |
| Public safety                              | -   | -                                     | -              | -                             |
| Capital projects expenditures              | -   | -                                     | -              | -                             |
| Debt service expenditures                  | -   | -                                     | -              | -                             |
| Unassigned                                 | -   | (36,061)                              | (4,739)        | (385,484)                     |
| <b>Total fund balances</b>                 | <b>12,838</b>                                 | <b>(36,061)</b>                       | <b>(4,739)</b> | <b>(385,484)</b>              |
| <b>Total liabilities and fund balances</b> | <b>33,000</b>                                 | <b>95,509</b>                         | <b>13,853</b>  | <b>21,600</b>                 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

|  | Capital Projects              |                                 |                          |                   |
|--|-------------------------------|---------------------------------|--------------------------|-------------------|
|  | 318                           | 319                             | 320                      | 321               |
|  | State Water<br>Project Grants | State Agency on<br>Aging Grants | GRT Asset<br>Replacement | NMFA<br>P&L Grant |
| <b>ASSETS</b>                              |                               |                                 |                          |                   |
| Cash and cash equivalents                  | 29,205                        | -                               | 299,974                  | -                 |
| Investments                                | -                             | -                               | -                        | -                 |
| Taxes Receivable:                          |                               |                                 |                          |                   |
| Property tax                               | -                             | -                               | -                        | -                 |
| Gross receipts tax                         | -                             | -                               | -                        | -                 |
| Other tax                                  | -                             | -                               | -                        | -                 |
| Grants receivable                          | -                             | -                               | -                        | -                 |
| Other receivables                          | -                             | 5,066                           | -                        | -                 |
| Due from other funds                       | -                             | -                               | -                        | -                 |
| <b>Total assets</b>                        | <u>29,205</u>                 | <u>5,066</u>                    | <u>299,974</u>           | <u>-</u>          |
| <b>LIABILITIES AND FUND BALANCES</b>       |                               |                                 |                          |                   |
| Liabilities:                               |                               |                                 |                          |                   |
| Accounts payable                           | -                             | -                               | -                        | -                 |
| Accrued payroll                            | -                             | -                               | -                        | -                 |
| Due to other funds                         | -                             | 5,066                           | -                        | -                 |
| <b>Total liabilities</b>                   | <u>-</u>                      | <u>5,066</u>                    | <u>-</u>                 | <u>-</u>          |
| Fund Balances:                             |                               |                                 |                          |                   |
| Spendable                                  |                               |                                 |                          |                   |
| Restricted for:                            |                               |                                 |                          |                   |
| Maintenance of roads                       | -                             | -                               | -                        | -                 |
| Fire departments                           | -                             | -                               | -                        | -                 |
| Culture and recreation                     | -                             | -                               | -                        | -                 |
| Public safety                              | -                             | -                               | -                        | -                 |
| Capital projects expenditures              | 29,205                        | -                               | 299,974                  | -                 |
| Debt service expenditures                  | -                             | -                               | -                        | -                 |
| Unassigned                                 | -                             | -                               | -                        | -                 |
| <b>Total fund balances</b>                 | <u>29,205</u>                 | <u>-</u>                        | <u>299,974</u>           | <u>-</u>          |
| <b>Total liabilities and fund balances</b> | <u>29,205</u>                 | <u>5,066</u>                    | <u>299,974</u>           | <u>-</u>          |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

|  | Debt Service                      |                      |                       |                                       |
|--|-----------------------------------|----------------------|-----------------------|---------------------------------------|
|  | 402                               | 407                  | 414                   | 416                                   |
|  | 2002 Bond<br>Debt Service<br>Fund | NMFA Debt<br>Service | Trust Service<br>Fund | NMFA PPR<br>Equipment<br>Project Loan |
| <b>ASSETS</b>                              |                                   |                      |                       |                                       |
| Cash and cash equivalents                  | 726,214                           | 133,087              | 3                     | 248,637                               |
| Investments                                | 432,320                           | -                    | -                     | 375,103                               |
| Taxes Receivable:                          |                                   |                      |                       |                                       |
| Property tax                               | -                                 | -                    | -                     | -                                     |
| Gross receipts tax                         | -                                 | -                    | -                     | -                                     |
| Other tax                                  | -                                 | -                    | -                     | -                                     |
| Grants receivable                          | -                                 | -                    | -                     | -                                     |
| Other receivables                          | -                                 | -                    | -                     | -                                     |
| Due from other funds                       | -                                 | -                    | -                     | -                                     |
| <b>Total assets</b>                        | <u>1,158,534</u>                  | <u>133,087</u>       | <u>3</u>              | <u>623,740</u>                        |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                   |                      |                       |                                       |
| Liabilities:                               |                                   |                      |                       |                                       |
| Accounts payable                           | -                                 | -                    | -                     | -                                     |
| Accrued payroll                            | -                                 | -                    | -                     | -                                     |
| Due to other funds                         | -                                 | -                    | -                     | -                                     |
| <b>Total liabilities</b>                   | <u>-</u>                          | <u>-</u>             | <u>-</u>              | <u>-</u>                              |
| Fund Balances:                             |                                   |                      |                       |                                       |
| Spendable                                  |                                   |                      |                       |                                       |
| Restricted for:                            |                                   |                      |                       |                                       |
| Maintenance of roads                       | -                                 | -                    | -                     | -                                     |
| Fire departments                           | -                                 | -                    | -                     | -                                     |
| Culture and recreation                     | -                                 | -                    | -                     | -                                     |
| Public safety                              | -                                 | -                    | -                     | -                                     |
| Capital projects expenditures              | -                                 | -                    | -                     | -                                     |
| Debt service expenditures                  | 1,158,534                         | 133,087              | 3                     | 623,740                               |
| Unassigned                                 | -                                 | -                    | -                     | -                                     |
| <b>Total fund balances</b>                 | <u>1,158,534</u>                  | <u>133,087</u>       | <u>3</u>              | <u>623,740</u>                        |
| <b>Total liabilities and fund balances</b> | <u>1,158,534</u>                  | <u>133,087</u>       | <u>3</u>              | <u>623,740</u>                        |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

|  | Debt<br>Service                    |   |
|--|------------------------------------|---|
|  | <u>418</u>                         |   |
|  | USDA Loan/<br>Police<br>Department | Total Nonmajor<br>Governmental<br>Funds |
|  | <u>          </u>                  | <u>          </u>                       |
| <b>ASSETS</b>                              |                                    |   |
| Cash and cash equivalents                  | 191                                | 2,041,811                               |
| Investments                                | -                                  | 807,423                                 |
| Taxes Receivable:                          |                                    | -                                       |
| Property tax                               | -                                  | -                                       |
| Gross receipts tax                         | -                                  | -                                       |
| Other tax                                  | -                                  | 62,165                                  |
| Grants receivable                          | -                                  | 169,131                                 |
| Other receivables                          | -                                  | 5,066                                   |
| Due from other funds                       | -                                  | -                                       |
|  | <u>          </u>                  | <u>          </u>                       |
| <b>Total assets</b>                        | <u>191</u>                         | <u>3,085,596</u>                        |
| <br>                                       |                                    |   |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                    |   |
| Liabilities:                               |                                    |   |
| Accounts payable                           | -                                  | 28,312                                  |
| Accrued payroll                            | -                                  | -                                       |
| Due to other funds                         | 60                                 | 705,229                                 |
|  | <u>60</u>                          | <u>705,229</u>                          |
| <b>Total liabilities</b>                   | <u>60</u>                          | <u>733,541</u>                          |
| <br>                                       |                                    |   |
| Fund Balances:                             |                                    |   |
| Spendable                                  |                                    |   |
| Restricted for:                            |                                    |   |
| Maintenance of roads                       | -                                  | 61,752                                  |
| Fire departments                           | -                                  | -                                       |
| Culture and recreation                     | -                                  | 248,503                                 |
| Public safety                              | -                                  | 228,087                                 |
| Capital projects expenditures              | -                                  | 329,179                                 |
| Debt service expenditures                  | 131                                | 1,915,495                               |
| Unassigned (Deficit)                       | -                                  | (430,961)                               |
|  | <u>131</u>                         | <u>2,352,055</u>                        |
| <b>Total fund balances</b>                 | <u>131</u>                         | <u>2,352,055</u>                        |
| <br>                                       |                                    |   |
| <b>Total liabilities and fund balances</b> | <u>191</u>                         | <u>3,085,596</u>                        |

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special Revenue |               |                           |                             |
|---|-----------------|---------------|---------------------------|-----------------------------|
|   | 103             | 104           | 105                       | 107                         |
|   | Recreation      | Teen Court    | Weed<br>and Seed<br>Grant | Operation<br>Buckle<br>Down |
| <b>REVENUES</b>                                   |                 |               |                           |                             |
| Taxes   |                 |               |                           |                             |
| Gross receipts                                    | \$ -            | -             | -                         | -                           |
| Gasoline and motor vehicle                        | -               | -             | -                         | -                           |
| Franchise tax                                     | -               | -             | -                         | -                           |
| Lodger's tax                                      | -               | -             | -                         | -                           |
| Intergovernmental income:                         |                 |               |                           |                             |
| Federal operating grants                          | -               | -             | -                         | -                           |
| Federal capital grants                            | -               | -             | -                         | -                           |
| State operating grants                            | -               | -             | -                         | -                           |
| State capital grants                              | -               | -             | -                         | -                           |
| Charges for services                              | -               | -             | -                         | -                           |
| Licenses and fees                                 | -               | -             | -                         | -                           |
| Investment income                                 | -               | -             | -                         | -                           |
| Miscellaneous                                     | -               | 15,000        | -                         | -                           |
| <b>Total revenues</b>                             | <u>-</u>        | <u>15,000</u> | <u>-</u>                  | <u>-</u>                    |
| <b>EXPENDITURES</b>                               |                 |               |                           |                             |
| Current:  |                 |               |                           |                             |
| General government                                | -               | -             | -                         | -                           |
| Public safety                                     | -               | 10,570        | -                         | -                           |
| Public works                                      | -               | -             | -                         | -                           |
| Culture and recreation                            | -               | -             | -                         | -                           |
| Capital Outlay                                    | -               | -             | -                         | -                           |
| Debt service:                                     |                 |               |                           |                             |
| Principal   | -               | -             | -                         | -                           |
| Interest  | -               | -             | -                         | -                           |
| <b>Total expenditures</b>                         | <u>-</u>        | <u>10,570</u> | <u>-</u>                  | <u>-</u>                    |
| Excess (deficiency) of revenues over expenditures | <u>-</u>        | <u>4,430</u>  | <u>-</u>                  | <u>-</u>                    |
| Other financing sources (uses)                    |                 |               |                           |                             |
| Transfers in                                      | -               | -             | -                         | -                           |
| Transfers out                                     | -               | -             | -                         | -                           |
| <b>Total other financing sources (uses)</b>       | <u>-</u>        | <u>-</u>      | <u>-</u>                  | <u>-</u>                    |
| Net change in fund balances                       | -               | 4,430         | -                         | -                           |
| Fund balances - beginning of year                 | 584             | 23,760        | 535                       | 158                         |
| <b>Fund balances - end of year</b>                | <u>\$ 584</u>   | <u>28,190</u> | <u>535</u>                | <u>158</u>                  |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special Revenue          |                                      |                              |               |
|---|--------------------------|--------------------------------------|------------------------------|---------------|
|   | 109                      | 110                                  | 111                          | 112           |
|   | Cops in<br>Schools Grant | Byrne Justice<br>Assistance<br>Grant | Operation DWI<br>State Grant | Library Grant |
| <b>REVENUES</b>                                   |                          |                                      |                              |               |
| Taxes   |                          |                                      |                              |               |
| Gross receipts                                    | -                        | -                                    | -                            | -             |
| Gasoline and motor vehicle                        | -                        | -                                    | -                            | -             |
| Franchise tax                                     | -                        | -                                    | -                            | -             |
| Lodger's tax                                      | -                        | -                                    | -                            | -             |
| Intergovernmental income:                         | -                        | -                                    | -                            | -             |
| Federal operating grants                          | -                        | 21,641                               | -                            | -             |
| Federal capital grants                            | -                        | -                                    | -                            | -             |
| State operating grants                            | -                        | -                                    | 2,137                        | 41,114        |
| State capital grants                              | -                        | -                                    | -                            | -             |
| Charges for services                              | -                        | -                                    | -                            | -             |
| Licenses and fees                                 | -                        | -                                    | -                            | -             |
| Investment income                                 | -                        | -                                    | -                            | -             |
| Miscellaneous                                     | -                        | -                                    | -                            | -             |
| <b>Total revenues</b>                             | <b>-</b>                 | <b>21,641</b>                        | <b>2,137</b>                 | <b>41,114</b> |
| <b>EXPENDITURES</b>                               |                          |                                      |                              |               |
| Current:  |                          |                                      |                              |               |
| General government                                | -                        | -                                    | -                            | -             |
| Public safety                                     | -                        | 21,641                               | 2,802                        | -             |
| Public works                                      | -                        | -                                    | -                            | -             |
| Culture and recreation                            | -                        | -                                    | -                            | 40,155        |
| Capital Outlay                                    | -                        | -                                    | -                            | 19,369        |
| Debt service:                                     | -                        | -                                    | -                            | -             |
| Principal   | -                        | -                                    | -                            | -             |
| Interest  | -                        | -                                    | -                            | -             |
| <b>Total expenditures</b>                         | <b>-</b>                 | <b>21,641</b>                        | <b>2,802</b>                 | <b>59,524</b> |
| Excess (deficiency) of revenues over expenditures | -                        | -                                    | (665)                        | (18,410)      |
| Other financing sources (uses)                    |                          |                                      |                              |               |
| Transfers in                                      | -                        | -                                    | -                            | -             |
| Transfers out                                     | -                        | -                                    | -                            | -             |
| <b>Total other financing sources (uses)</b>       | <b>-</b>                 | <b>-</b>                             | <b>-</b>                     | <b>-</b>      |
| Net change in fund balances                       | -                        | -                                    | (665)                        | (18,410)      |
| Fund balances - beginning of year                 | 40,000                   | 21,641                               | 3,841                        | 54,027        |
| <b>Fund balances - end of year</b>                | <b>40,000</b>            | <b>21,641</b>                        | <b>3,176</b>                 | <b>35,617</b> |

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special Revenue |                   |                         |   |
|---|-----------------|-------------------|-------------------------|---|
|   | 118             | 119               | 125                     | 126   |
|   | EMS             | Wildland<br>Grant | Public Safety<br>Grants | High Intensity<br>Drug Trafficking<br>Areas |
| <b>REVENUES</b>                                   |                 |                   |                         |   |
| Taxes   |                 |                   |                         |   |
| Gross receipts                                    | -               | -                 | -                       | -   |
| Gasoline and motor vehicle                        | -               | -                 | -                       | -   |
| Franchise tax                                     | -               | -                 | -                       | -   |
| Lodger's tax                                      | -               | -                 | -                       | -   |
| Intergovernmental income:                         |                 |                   |                         |   |
| Federal operating grants                          | -               | -                 | -                       | 117,030                                     |
| Federal capital grants                            | -               | -                 | -                       | -   |
| State operating grants                            | 13,521          | -                 | -                       | -   |
| State capital grants                              | -               | -                 | -                       | -   |
| Charges for services                              | -               | -                 | -                       | -   |
| Licenses and fees                                 | -               | -                 | -                       | -   |
| Investment income                                 | -               | -                 | -                       | -   |
| Miscellaneous                                     | -               | -                 | -                       | 752   |
| <b>Total revenues</b>                             | <b>13,521</b>   | <b>-</b>          | <b>-</b>                | <b>117,782</b>                              |
| <b>EXPENDITURES</b>                               |                 |                   |                         |   |
| Current:  |                 |                   |                         |   |
| General government                                | -               | -                 | -                       | 89  |
| Public safety                                     | 22,667          | -                 | -                       | 122,370                                     |
| Public works                                      | -               | -                 | -                       | -   |
| Culture and recreation                            | -               | -                 | -                       | -   |
| Capital Outlay                                    | -               | -                 | -                       | -   |
| Debt service:                                     |                 |                   |                         |   |
| Principal   | -               | -                 | -                       | -   |
| Interest  | -               | -                 | -                       | -   |
| <b>Total expenditures</b>                         | <b>22,667</b>   | <b>-</b>          | <b>-</b>                | <b>122,459</b>                              |
| Excess (deficiency) of revenues over expenditures | (9,146)         | -                 | -                       | (4,677)                                     |
| Other financing sources (uses)                    |                 |                   |                         |   |
| Transfers in                                      | -               | -                 | -                       | -   |
| Transfers out                                     | -               | -                 | -                       | -   |
| <b>Total other financing sources (uses)</b>       | <b>-</b>        | <b>-</b>          | <b>-</b>                | <b>-</b>                                    |
| Net change in fund balances                       | (9,146)         | -                 | -                       | (4,677)                                     |
| Fund balances - beginning of year                 | 21,334          | 29,915            | 4,917                   | -   |
| <b>Fund balances - end of year</b>                | <b>12,188</b>   | <b>29,915</b>     | <b>4,917</b>            | <b>(4,677)</b>                              |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special Revenue |                      |                                  |                       |
|---|-----------------|----------------------|----------------------------------|-----------------------|
|   | 207             | 210                  | 211                              | 212                   |
|   | E-911 Grant     | Roads and<br>Streets | Law<br>Enforcement<br>Protection | Fire<br>Discretionary |
| <b>REVENUES</b>                                   |                 |                      |                                  |                       |
| Taxes   |                 |                      |                                  |                       |
| Gross receipts                                    | -               | -                    | -                                | -                     |
| Gasoline and motor vehicle                        | -               | 334,914              | -                                | -                     |
| Franchise tax                                     | -               | -                    | -                                | -                     |
| Lodger's tax                                      | -               | -                    | -                                | -                     |
| Intergovernmental income:                         |                 |                      |                                  |                       |
| Federal operating grants                          | -               | -                    | -                                | -                     |
| Federal capital grants                            | -               | -                    | -                                | -                     |
| State operating grants                            | 900,000         | -                    | 33,800                           | -                     |
| State capital grants                              | -               | -                    | -                                | -                     |
| Charges for services                              | -               | -                    | -                                | -                     |
| Licenses and fees                                 | -               | 2,535                | -                                | -                     |
| Investment income                                 | 1,580           | -                    | -                                | -                     |
| Miscellaneous                                     | 11,691          | -                    | -                                | -                     |
| <b>Total revenues</b>                             | <b>913,271</b>  | <b>337,449</b>       | <b>33,800</b>                    | <b>-</b>              |
| <b>EXPENDITURES</b>                               |                 |                      |                                  |                       |
| Current:  |                 |                      |                                  |                       |
| General government                                | -               | -                    | -                                | -                     |
| Public safety                                     | 719,353         | -                    | 32,195                           | -                     |
| Public works                                      | -               | 288,055              | -                                | -                     |
| Culture and recreation                            | -               | -                    | -                                | -                     |
| Capital Outlay                                    | -               | -                    | -                                | -                     |
| Debt service:                                     |                 |                      |                                  |                       |
| Principal   | -               | 40,009               | -                                | -                     |
| Interest  | -               | 1,437                | -                                | -                     |
| <b>Total expenditures</b>                         | <b>719,353</b>  | <b>329,501</b>       | <b>32,195</b>                    | <b>-</b>              |
| Excess (deficiency) of revenues over expenditures | 193,918         | 7,948                | 1,605                            | -                     |
| Other financing sources (uses)                    |                 |                      |                                  |                       |
| Transfers in                                      | -               | -                    | -                                | -                     |
| Transfers out                                     | -               | -                    | (15,620)                         | -                     |
| <b>Total other financing sources (uses)</b>       | <b>-</b>        | <b>-</b>             | <b>(15,620)</b>                  | <b>-</b>              |
| Net change in fund balances                       | 193,918         | 7,948                | (14,015)                         | -                     |
| Fund balances - beginning of year                 | (103,599)       | 53,804               | 28,055                           | 13,458                |
| <b>Fund balances - end of year</b>                | <b>90,319</b>   | <b>61,752</b>        | <b>14,040</b>                    | <b>13,458</b>         |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special Revenue |                             |                |                               |
|---|-----------------|-----------------------------|----------------|-------------------------------|
|   | 214             | 215                         | 216            | 217                           |
|   | Lodgers' Tax    | Lodgers' Tax<br>Promotional | Fiesta Council | U.S. Bureau of<br>Reclamation |
| <b>REVENUES</b>                                   |                 |                             |                |                               |
| Taxes   |                 |                             |                |                               |
| Gross receipts                                    | -               | -                           | -              | -                             |
| Gasoline and motor vehicle                        | -               | -                           | -              | -                             |
| Franchise tax                                     | -               | -                           | -              | -                             |
| Lodger's tax                                      | 57,130          | -                           | -              | -                             |
| Intergovernmental income:                         |                 |                             |                |                               |
| Federal operating grants                          | -               | -                           | -              | -                             |
| Federal capital grants                            | -               | -                           | -              | -                             |
| State operating grants                            | -               | -                           | -              | -                             |
| State capital grants                              | -               | -                           | -              | -                             |
| Charges for services                              | -               | -                           | -              | 25,480                        |
| Licenses and fees                                 | -               | -                           | -              | -                             |
| Investment income                                 | -               | -                           | -              | -                             |
| Miscellaneous                                     | -               | -                           | 15,791         | -                             |
| <b>Total revenues</b>                             | <b>57,130</b>   | <b>-</b>                    | <b>15,791</b>  | <b>25,480</b>                 |
| <b>EXPENDITURES</b>                               |                 |                             |                |                               |
| Current:  |                 |                             |                |                               |
| General government                                | 875             | -                           | -              | 20,439                        |
| Public safety                                     | -               | -                           | -              | -                             |
| Public works                                      | -               | -                           | -              | -                             |
| Culture and recreation                            | -               | -                           | 27,994         | -                             |
| Capital Outlay                                    | -               | -                           | -              | -                             |
| Debt service:                                     |                 |                             |                |                               |
| Principal   | -               | -                           | -              | -                             |
| Interest  | -               | -                           | -              | -                             |
| <b>Total expenditures</b>                         | <b>875</b>      | <b>-</b>                    | <b>27,994</b>  | <b>20,439</b>                 |
| Excess (deficiency) of revenues over expenditures | 56,255          | -                           | (12,203)       | 5,041                         |
| Other financing sources (uses)                    |                 |                             |                |                               |
| Transfers in                                      | -               | -                           | -              | -                             |
| Transfers out                                     | (13,500)        | -                           | -              | -                             |
| <b>Total other financing sources (uses)</b>       | <b>(13,500)</b> | <b>-</b>                    | <b>-</b>       | <b>-</b>                      |
| Net change in fund balances                       | 42,755          | -                           | (12,203)       | 5,041                         |
| Fund balances - beginning of year                 | 14,210          | 56,990                      | 27,863         | 34,358                        |
| <b>Fund balances - end of year</b>                | <b>56,965</b>   | <b>56,990</b>               | <b>15,660</b>  | <b>39,399</b>                 |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Special<br>Revenue                            | Capital Projects                      |                |                               |
|---|---|---------------------------------------|----------------|-------------------------------|
|   | 219   | 303                                   | 304            | 316                           |
|   | NMDOT Litter<br>Control and<br>Beautification | NMLA Capital<br>Improvements<br>Grant | NM DOT Grant   | Federal W/WW<br>Project Grant |
| <b>REVENUES</b>                                   |   |                                       |                |                               |
| Taxes   |   |                                       |                |                               |
| Gross receipts                                    | -   | -                                     | -              | -                             |
| Gasoline and motor vehicle                        | -   | -                                     | -              | -                             |
| Franchise tax                                     | -   | -                                     | -              | -                             |
| Lodger's tax                                      | -   | -                                     | -              | -                             |
| Intergovernmental income:                         |   |                                       |                |                               |
| Federal operating grants                          | -   | -                                     | -              | -                             |
| Federal capital grants                            | -   | -                                     | -              | 21,600                        |
| State operating grants                            | -   | 52,472                                | -              | -                             |
| State capital grants                              | -   | 332,292                               | 36,764         | -                             |
| Charges for services                              | -   | -                                     | -              | -                             |
| Licenses and fees                                 | -   | -                                     | -              | -                             |
| Investment income                                 | -   | -                                     | -              | -                             |
| Miscellaneous                                     | 33,041  | -                                     | -              | -                             |
| <b>Total revenues</b>                             | <b>33,041</b>                                 | <b>384,764</b>                        | <b>36,764</b>  | <b>21,600</b>                 |
| <b>EXPENDITURES</b>                               |   |                                       |                |                               |
| Current:  |   |                                       |                |                               |
| General government                                | -   | -                                     | -              | -                             |
| Public safety                                     | 1,067   | 26,224                                | -              | -                             |
| Public works                                      | 13,614  | -                                     | -              | 52,518                        |
| Culture and recreation                            | -   | -                                     | -              | -                             |
| Capital Outlay                                    | 18,147  | 394,601                               | 41,503         | 450,977                       |
| Debt service:                                     |   |                                       |                |                               |
| Principal   | -   | -                                     | -              | -                             |
| Interest  | -   | -                                     | -              | -                             |
| <b>Total expenditures</b>                         | <b>32,828</b>                                 | <b>420,825</b>                        | <b>41,503</b>  | <b>503,495</b>                |
| Excess (deficiency) of revenues over expenditures | 213   | (36,061)                              | (4,739)        | (481,895)                     |
| Other financing sources (uses)                    |   |                                       |                |                               |
| Transfers in                                      | -   | -                                     | -              | -                             |
| Transfers out                                     | -   | -                                     | -              | -                             |
| <b>Total other financing sources (uses)</b>       | <b>-</b>                                      | <b>-</b>                              | <b>-</b>       | <b>-</b>                      |
| Net change in fund balances                       | 213   | (36,061)                              | (4,739)        | (481,895)                     |
| Fund balances - beginning of year                 | 12,625  | -                                     | -              | 96,411                        |
| <b>Fund balances - end of year</b>                | <b>12,838</b>                                 | <b>(36,061)</b>                       | <b>(4,739)</b> | <b>(385,484)</b>              |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Capital Projects              |                                 |                          |                   |
|---|-------------------------------|---------------------------------|--------------------------|-------------------|
|   | 318                           | 319                             | 320                      | 321               |
|   | State Water<br>Project Grants | State Agency on<br>Aging Grants | GRT Asset<br>Replacement | NMFA<br>P&L Grant |
| <b>REVENUES</b>                                   |                               |                                 |                          |                   |
| Taxes   |                               |                                 |                          |                   |
| Gross receipts                                    | -                             | -                               | -                        | -                 |
| Gasoline and motor vehicle                        | -                             | -                               | -                        | -                 |
| Franchise tax                                     | -                             | -                               | -                        | -                 |
| Lodger's tax                                      | -                             | -                               | -                        | -                 |
| Intergovernmental income:                         |                               |                                 |                          |                   |
| Federal operating grants                          | -                             | -                               | -                        | -                 |
| Federal capital grants                            | -                             | -                               | -                        | -                 |
| State operating grants                            | -                             | -                               | -                        | -                 |
| State capital grants                              | -                             | -                               | -                        | 50,000            |
| Charges for services                              | -                             | -                               | -                        | -                 |
| Licenses and fees                                 | -                             | -                               | -                        | -                 |
| Investment income                                 | -                             | -                               | -                        | -                 |
| Miscellaneous                                     | -                             | -                               | -                        | -                 |
| <b>Total revenues</b>                             | <b>-</b>                      | <b>-</b>                        | <b>-</b>                 | <b>50,000</b>     |
| <b>EXPENDITURES</b>                               |                               |                                 |                          |                   |
| Current:  |                               |                                 |                          |                   |
| General government                                | -                             | -                               | -                        | -                 |
| Public safety                                     | -                             | -                               | -                        | -                 |
| Public works                                      | -                             | -                               | -                        | 50,000            |
| Culture and recreation                            | -                             | -                               | -                        | -                 |
| Capital Outlay                                    | -                             | -                               | -                        | -                 |
| Debt service:                                     |                               |                                 |                          |                   |
| Principal   | -                             | -                               | -                        | -                 |
| Interest  | -                             | -                               | -                        | -                 |
| <b>Total expenditures</b>                         | <b>-</b>                      | <b>-</b>                        | <b>-</b>                 | <b>50,000</b>     |
| Excess (deficiency) of revenues over expenditures | -                             | -                               | -                        | -                 |
| Other financing sources (uses)                    |                               |                                 |                          |                   |
| Transfers in                                      | -                             | -                               | -                        | -                 |
| Transfers out                                     | -                             | -                               | -                        | -                 |
| <b>Total other financing sources (uses)</b>       | <b>-</b>                      | <b>-</b>                        | <b>-</b>                 | <b>-</b>          |
| Net change in fund balances                       | -                             | -                               | -                        | -                 |
| Fund balances - beginning of year                 | 29,205                        | -                               | 299,974                  | -                 |
| <b>Fund balances - end of year</b>                | <b>29,205</b>                 | <b>-</b>                        | <b>299,974</b>           | <b>-</b>          |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Debt Service                      |                       |                       |                                       |
|---|-----------------------------------|-----------------------|-----------------------|---------------------------------------|
|   | 402                               | 407                   | 414                   | 416                                   |
|   | 2002 Bond<br>Debt Service<br>Fund | NMFA Debt<br>Service  | Trust Service<br>Fund | NMFA PPR<br>Equipment<br>Project Loan |
| <b>REVENUES</b>                                   |                                   |                       |                       |                                       |
| Taxes   |                                   |                       |                       |                                       |
| Gross receipts                                    | -                                 | -                     | -                     | -                                     |
| Gasoline and motor vehicle                        | -                                 | -                     | -                     | -                                     |
| Franchise tax                                     | -                                 | -                     | -                     | -                                     |
| Lodger's tax                                      | -                                 | -                     | -                     | -                                     |
| Intergovernmental income:                         |                                   |                       |                       |                                       |
| Federal operating grants                          | -                                 | -                     | -                     | -                                     |
| Federal capital grants                            | -                                 | -                     | -                     | -                                     |
| State operating grants                            | -                                 | -                     | -                     | -                                     |
| State capital grants                              | -                                 | -                     | -                     | -                                     |
| Charges for services                              | -                                 | -                     | -                     | -                                     |
| Licenses and fees                                 | -                                 | -                     | -                     | -                                     |
| Investment income                                 | 7,508                             | 355                   | -                     | 7,219                                 |
| Miscellaneous                                     | -                                 | -                     | -                     | -                                     |
| <b>Total revenues</b>                             | <u>7,508</u>                      | <u>355</u>            | <u>-</u>              | <u>7,219</u>                          |
| <b>EXPENDITURES</b>                               |                                   |                       |                       |                                       |
| Current:  |                                   |                       |                       |                                       |
| General government                                | -                                 | -                     | -                     | -                                     |
| Public safety                                     | -                                 | -                     | -                     | -                                     |
| Public works                                      | -                                 | -                     | -                     | -                                     |
| Culture and recreation                            | -                                 | -                     | -                     | -                                     |
| Capital Outlay                                    | -                                 | -                     | -                     | -                                     |
| Debt service:                                     |                                   |                       |                       |                                       |
| Principal   | 245,000                           | 37,542                | -                     | 220,000                               |
| Interest  | 86,017                            | 1,377                 | -                     | 68,563                                |
| <b>Total expenditures</b>                         | <u>331,017</u>                    | <u>38,919</u>         | <u>-</u>              | <u>288,563</u>                        |
| Excess (deficiency) of revenues over expenditures | <u>(323,509)</u>                  | <u>(38,564)</u>       | <u>-</u>              | <u>(281,344)</u>                      |
| Other financing sources (uses)                    |                                   |                       |                       |                                       |
| Transfers in                                      | 284,521                           | 14,869                | -                     | 288,564                               |
| Transfers out                                     | -                                 | (86,830)              | -                     | -                                     |
| <b>Total other financing sources (uses)</b>       | <u>284,521</u>                    | <u>(71,961)</u>       | <u>-</u>              | <u>288,564</u>                        |
| Net change in fund balances                       | (38,988)                          | (110,525)             | -                     | 7,220                                 |
| Fund balances - beginning of year                 | 1,197,522                         | 243,612               | 3                     | 616,520                               |
| <b>Fund balances - end of year</b>                | <u><u>1,158,534</u></u>           | <u><u>133,087</u></u> | <u><u>3</u></u>       | <u><u>623,740</u></u>                 |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|   | Debt<br>Service<br><hr/> 418                |  |
|---|---|--|
|   | USDA Loan/<br>Police<br>Department<br><hr/> | Total Nonmajor<br>Governmental<br>Funds<br><hr/> |
| <b>REVENUES</b>                                   |   |  |
| Taxes   |   |  |
| Gross receipts                                    | -   | -  |
| Gasoline and motor vehicle                        | -   | 334,914  |
| Franchise tax                                     | -   | -  |
| Lodger's tax                                      | -   | 57,130   |
| Intergovernmental income:                         |   |  |
| Federal operating grants                          | -   | 138,671  |
| Federal capital grants                            | -   | 21,600   |
| State operating grants                            | -   | 1,043,044  |
| State capital grants                              | -   | 419,056  |
| Charges for services                              | -   | 25,480   |
| Licenses and fees                                 | -   | 2,535  |
| Investment income                                 | -   | 16,662   |
| Miscellaneous                                     | -   | 76,275   |
| <b>Total revenues</b>                             | <hr/> -                                     | <hr/> 2,135,367                                  |
| <b>EXPENDITURES</b>                               |   |  |
| Current:  |   |  |
| General government                                | -   | 21,403   |
| Public safety                                     | -   | 958,889  |
| Public works                                      | -   | 404,187  |
| Culture and recreation                            | -   | 68,149   |
| Capital Outlay                                    | -   | 924,597  |
| Debt service:                                     |   |  |
| Principal   | 14,800                                      | 557,351  |
| Interest  | 629   | 158,023  |
| <b>Total expenditures</b>                         | <hr/> 15,429                                | <hr/> 3,092,599                                  |
| Excess (deficiency) of revenues over expenditures | <hr/> (15,429)                              | <hr/> (957,232)                                  |
| Other financing sources (uses)                    |   |  |
| Transfers in                                      | 15,620                                      | 603,574  |
| Transfers out                                     | -   | (115,950)  |
| <b>Total other financing sources (uses)</b>       | <hr/> 15,620                                | <hr/> 487,624                                    |
| Net change in fund balances                       | 191   | (469,608)  |
| Fund balances - beginning of year                 | <hr/> (60)                                  | <hr/> 2,821,663                                  |
| <b>Fund balances - end of year</b>                | <hr/> <hr/> 131                             | <hr/> <hr/> 2,352,055                            |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**June 30, 2018**

| <u>Bank Name/Account Name</u>                                      | <u>Account Type</u>       | <u>Bank Balance</u>  | <u>Deposits in Transit</u> | <u>Outstanding Checks and other reconciling items</u> | <u>Book Balance</u>  |
|--|---------------------------|----------------------|----------------------------|---|----------------------|
| <b>Century Bank</b>  |                           |                      |                            |   |                      |
| General Fund   | Checking                  | \$ 1,572,150         | 19,991                     | 580,543   | 1,011,598            |
| Fire Fund  | Checking                  | 49,941               | -                          | 3,977   | 45,964               |
| E-911  | Checking                  | 500,851              | -                          | 4,895   | 495,956              |
| Online Utility   | Checking                  | 4,631,326            | 4,617                      | -   | 4,635,943            |
| Payroll Fund   | Checking                  | 16,972               | -                          | 12,115  | 4,857                |
| Restricted Fund  | Checking                  | 1,776,996            | -                          | -   | 1,776,996            |
| Bond Court   | Checking                  | 56,325               | -                          | -   | 56,325               |
| Optimal Savings Account  | Checking                  | 2,648,860            | -                          | -   | 2,648,860            |
| Certificate of Deposit   | CD                        | 85,000               | -                          | -   | 85,000               |
| Certificate of Deposit   | CD                        | 70,000               | -                          | -   | 70,000               |
| Certificate of Deposit   | CD                        | 15,439               | -                          | -   | 15,439               |
| Certificate of Deposit   | CD                        | 58,929               | -                          | -   | 58,929               |
| Certificate of Deposit   | CD                        | 6,000                | -                          | -   | 6,000                |
| Certificate of Deposit   | CD                        | 37,000               | -                          | -   | 37,000               |
| Total Century Bank   |                           | <u>11,525,789</u>    | <u>24,608</u>              | <u>601,530</u>  | <u>10,948,867</u>    |
| <b>Express Bill Pay</b>  |                           |                      |                            |   |                      |
| General Fund - Express Bill Pay                                    | Checking                  | 296,100              | 1,800                      | -   | 297,900              |
| <b>Total bank accounts requiring collateral</b>                    |                           | <u>11,821,889</u>    | <u>26,408</u>              | <u>601,530</u>  | <u>11,246,767</u>    |
| <b>Bank accounts not subject to collateral requirements:</b>       |                           |                      |                            |   |                      |
| <b>Bank of Albuquerque</b>   |                           |                      |                            |   |                      |
| Espanola Municipal Infrastructure                                  |                           |                      |                            |   |                      |
| GRT Income Fund  | U.S. Treasury Mutual Fund | 116,350              | -                          | -   | 116,350              |
| Espanola Municipal Infrastructure                                  |                           |                      |                            |   |                      |
| GRT Debt Service Reserve   | U.S. Treasury Mutual Fund | 377,007              | -                          | -   | 377,007              |
| GRT Debt Service Account   | Money Market              | 145                  | -                          | -   | 145                  |
| Total Bank of Albuquerque  |                           | <u>493,502</u>       | <u>-</u>                   | <u>-</u>  | <u>493,502</u>       |
| <b>New Mexico Finance Authority</b>                                |                           |                      |                            |   |                      |
| Espanola 12  | NMSTO                     | 37,129               | -                          | -   | 37,129               |
|  | U.S. Treasury Mutual Fund | 132,241              | -                          | -   | 132,241              |
| Espanola 13  | NMSTO                     | 85,169               | -                          | -   | 85,169               |
|  | U.S. Treasury Mutual Fund | 242,862              | -                          | -   | 242,862              |
| Espanola 15  | NMSTO                     | 395,563              | -                          | -   | 395,563              |
|  | U.S. Treasury Mutual Fund | 430,908              | -                          | -   | 430,908              |
|  | U.S. Treasury Mutual Fund | 1,412                | -                          | -   | 1,412                |
| PPRF-4697  | NMSTO                     | 513                  | -                          | -   | 513                  |
|  | U.S. Treasury Mutual Fund | 1,144,388            | -                          | -   | 1,144,388            |
|  | U.S. Treasury Mutual Fund | 99,211               | -                          | -   | 99,211               |
| Total New Mexico Finance Authority                                 |                           | <u>2,569,396</u>     | <u>-</u>                   | <u>-</u>  | <u>2,569,396</u>     |
| <b>Total</b>   |                           | <u>\$ 14,884,787</u> | <u>26,408</u>              | <u>601,530</u>  | <u>\$ 14,309,665</u> |
| New Mexico State Treasurer Local Government Investment Pool        |                           |                      |                            |   | 1,808,755            |
| Add: petty cash  |                           |                      |                            |   | 765                  |
| Adjust for: returned checks, cash clearing, and unidentified items |                           |                      |                            |   | 66,399               |
| Total deposits and investments                                     |                           |                      |                            |   | <u>\$ 16,185,584</u> |
| Deposits and investments per financial statements:                 |                           |                      |                            |   |                      |
| Cash and cash equivalents  |                           |                      |                            |   | \$ 12,457,646        |
| Investments  |                           |                      |                            |   | 229,368              |
| Restricted cash and cash equivalents                               |                           |                      |                            |   | 518,374              |
| Restricted investments   |                           |                      |                            |   | 2,544,524            |
| Fiduciary funds cash and investments                               |                           |                      |                            |   | 435,672              |
| Total deposits and investments                                     |                           |                      |                            |   | <u>\$ 16,185,584</u> |

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC  
FUNDS June 30, 2018**

| Account Name  | Century<br>Bank | Express<br>Bill Pay | Total      |
|---|-----------------|---------------------|------------|
| Total amount of deposit in bank   | \$ 11,525,789   | 296,100             | 11,821,889 |
| FDIC coverage   | (500,000)       | (250,000)           | (750,000)  |
| Total uninsured public funds  | 11,025,789      | 46,100              | 11,071,889 |
| Pledged collateral held by the pledging bank's trust department or agent but not in the City's name | 6,255,713       | -                   | 6,255,713  |
| Uninsured and uncollateralized  | \$ 4,770,076    | 46,100              | 4,816,176  |
| 50% of Collateral Requirement<br>(Section 6-10-17 NMSA 1978)  | \$ 5,512,895    | 23,050              | 5,535,945  |
| Total pledged collateral  | 6,255,713       | -                   | 6,255,713  |
| Pledged collateral in excess of (below) requirement   | \$ 742,818      | (23,050) *          | 719,768    |

| Institution /<br>Security       | Maturity  | CUSIP<br>Number | Fair Market<br>Value at<br>30-Jun-18 |
|---------------------------------|-----------|-----------------|--------------------------------------|
| <b>Century Bank</b>             |           |                 |                                      |
| Clifton Tex Higher Ed           | 8/15/2038 | 187145EZ6       | \$ 1,353,288                         |
| Decatur TWP Marion Cnty         | 7/15/2027 | 243360EY6       | 1,151,960                            |
| Los Alamos NM Public Sch        | 8/1/2023  | 54422NEW2       | 517,895                              |
| Osceola Cnty Fla Sales Tax      | 10/1/2031 | 687909EL1       | 1,127,110                            |
| Peace River/Manasota Regl       | 10/1/2035 | 704612ED8       | 1,267,340                            |
| San Miguel Cnty Nm Gross        | 6/1/2020  | 799108DB8       | 434,616                              |
| Santa Fe NM                     | 8/1/2026  | 82071GY0        | 403,504                              |
| <b>Total Pledged Collateral</b> |           |                 | <b>\$ 6,255,713</b>                  |

The custodian of the pledged collateral securities for Century Bank is the Federal Home Loan Bank of Dallas, TX

\* Xpress Bill Pay customer funds are held in a FDIC insured account with Zions Bank (A division of Zions Bancorporation N.A.). Xpress Bill Pay falls under strict audit requirements for compliance with NACHA rules and funds handling. They are required to hold a \$1,000,000 per incident insurance policy for liabilities that would fall under handling of the funds and any fraud or misuse

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**STATE OF NEW MEXICO**  
**CITY OF ESPAÑOLA**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2018**

|                               | Balance<br>June 30, 2017 | Increase      | Decrease      | Balance<br>June 30, 2018 |
|-------------------------------|--------------------------|---------------|---------------|--------------------------|
| <b>Assets</b>                 |                          |               |               |                          |
| <i>Judicial:</i>              |                          |               |               |                          |
| Cash                          | \$ (3,465)               | 18,885        | 19,145        | (3,725)                  |
| Accounts receivable           | -                        | 3,346         | -             | 3,346                    |
| Assets                        | <u>\$ (3,465)</u>        | <u>22,231</u> | <u>19,145</u> | <u>(379)</u>             |
| <i>Municipal Court:</i>       |                          |               |               |                          |
| Cash                          | \$ (748)                 | -             | -             | (748)                    |
| Assets                        | <u>\$ (748)</u>          | <u>-</u>      | <u>-</u>      | <u>(748)</u>             |
| <i>Bond:</i>                  |                          |               |               |                          |
| Cash                          | \$ 87,040                | 48,907        | 65,334        | 70,613                   |
| Assets                        | <u>\$ 87,040</u>         | <u>48,907</u> | <u>65,334</u> | <u>70,613</u>            |
| <i>Utility Deposit Trust:</i> |                          |               |               |                          |
| Cash                          | \$ 312,150               | 7,139         | -             | 319,289                  |
| Investments                   | 43,000                   | -             | -             | 43,000                   |
| Accounts Receivable           | 586                      | -             | -             | 586                      |
| Assets                        | <u>\$ 355,736</u>        | <u>7,139</u>  | <u>-</u>      | <u>362,875</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>               |

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Year Ended June 30, 2018

|                                 | Balance<br>June 30, 2017 | Increase      | Decrease      | Balance<br>June 30, 2018 |
|---------------------------------|--------------------------|---------------|---------------|--------------------------|
| <b>Assets</b>                   |                          |               |               |                          |
| <i>Fire Donations:</i>          |                          |               |               |                          |
| Cash                            | \$ 1,145                 |               |               | 1,145                    |
| Assets                          | \$ 1,145                 | -             | -             | 1,145                    |
| <i>Espanola Beautification:</i> |                          |               |               |                          |
| Cash                            | \$ 4,984                 |               |               | 4,984                    |
| Assets                          | \$ 4,984                 | -             | -             | 4,984                    |
| <i>Forfeiture:</i>              |                          |               |               |                          |
| Cash                            | \$ 967                   |               |               | 967                      |
| Assets                          | \$ 967                   | -             | -             | 967                      |
| <b>Total assets</b>             | <b>\$ 445,806</b>        | <b>78,277</b> | <b>84,479</b> | <b>439,604</b>           |
| <b>Liabilities</b>              |                          |               |               |                          |
| Bond deposits payable           | \$ 83,413                | 71,138        | 84,479        | 70,072                   |
| Due to other entities           | 362,393                  | 7,139         | -             | 369,532                  |
| Assets                          | \$ 445,806               | 78,277        | 84,479        | 439,604                  |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF JOINT POWERS AGREEMENTS  
For the Year Ended June 30, 2018**

| <u>Joint Powers Agreements</u> | <u>Participants</u>   | <u>Responsible Party</u>   | <u>Description</u>  | <u>Beginning Date</u> | <u>Ending Date</u>   |
|--------------------------------|---|--|---|-----------------------|--|
| E-911 Communications           | City of Espanola<br>Village of Chama<br>Ohkay Owingeh<br>Jicarilla Apache Nation<br>County of Rio Arriba  | Espanola/Rio Arriba<br>E-911 Communications<br>Center (District) | To establish and operate a centralized enhanced 911 communications center to provide emergency medical, fire and law enforcement communications within the District boundaries 365 days a year, 24 hours a day. | 11/5/2014             | Ongoing until terminated upon approval by the majority of the governing bodies which are signatories to the agreement, or withdrawal by a party after providing 180 days written notice. |
| Broadband Network              | City of Espanola<br>County of Los Alamos<br>Santa Fe County<br>Rio Arriba County<br>Pueblo of San Ildefonso<br>Ohkay Owingeh<br>Pueblo of Santa Clara<br>Pueblo of Tesuque<br>NCNMEDD | NCNMEDD  | To construct and manage a high-speed open, open access broadband network in northern Santa Fe County, Los Alamos County and southern Rio Arriba County  | 10/8/2010             | Perpetual unless terminated by mutual consent of participants  |

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

| <u>Joint Powers Agreements (Continued)</u> | <u>Project Amount</u> | <u>Portion Applicable to the City</u>  | <u>Current Year Amounts Received (Contributed) by the City</u> | <u>Audit Responsibility</u> | <u>Fiscal Agent (If Applicable)</u> | <u>Government Agency where Revenues and Expenditures are Reported</u> |
|--|-----------------------|--|--|-----------------------------|-------------------------------------|---|
| E-911 Communications                       | Not specified         | 43.5% in the event Countywide Emergency Communications and Emergency Medical Service Tax, does not generate revenues necessary to fund the approved annual budget or when other costs are not covered. | \$ 900,000   | The District                | N/A                                 | The District  |
| Broadband Network                          | Net specified         | Initial in-kind contribution of \$20,000 during construction phase. No other specified contributions   | \$ -   | NCNMEDD                     | NCNMEDD                             | NCNMEDD   |

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
CITY OF ESPANOLA  
SCHEDULE OF APPROPRIATIONS  
Year Ended June 30, 2018**

| <b>Appropriation</b> | <b>Type</b> | <b>Purpose</b>   | <b>Period<br/>Beginning</b> | <b>Period<br/>Ending</b> | <b>Original<br/>Appropriation</b> | <b>Expenditures to<br/>Date</b> | <b>Outstanding<br/>Encumbrances</b> | <b>Reverted<br/>Balance</b> | <b>Unencumbered<br/>Balance</b> |
|----------------------|-------------|--|-----------------------------|--------------------------|-----------------------------------|---------------------------------|-------------------------------------|-----------------------------|---------------------------------|
| 16-A4067             | STB         | Espanola Public Library & Digital<br>Media Center Project    | 7/1/2017                    | 6/30/2018                | \$ 52,472                         | \$ 52,472                       | -                                   | -                           | -                               |
| 16-A2479             | STB         | Espanola Regional Sportsplex<br>Improvements                 | 7/1/2017                    | 6/30/2018                | \$ 82,000                         | \$ 82,000                       | -                                   | -                           | -                               |
| GOB-A5110            | GOB         | Espanola Public Library - GO Bond<br>fund - NM State Library | 7/1/2017                    | 6/30/2021                | \$ 45,037                         | -                               | -                                   | -                           | -                               |

*The Notes to the Financial Statements are an integral part of this statement.*



Service plus value, it all adds up.

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**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 Auditor's Report**

Mr. Brian Colón, State Auditor and  
To the City Council  
The 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, the major funds, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and the major special revenue funds of the City of Española (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2019.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-002, 2018-003, 2018-004 and 2018-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item, 2018-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, however we noted certain matters that are required to be reported under NMAC section 2.2.2 that we have described in the accompanying schedule of findings and responses as items 2018-006, 2018-007 and 2018-008.

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

The City's responses to the findings 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on 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.

***Ricci & Company LLC***

Albuquerque, New Mexico  
February 25, 2019



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**SCHEDULE OF PRIOR YEAR FINDINGS**

|  |          |
|--|----------|
| 2016-002 City's Budget Did Not Reconcile To DFA (Other Noncompliance)    | Resolved |
| 2017-001 Discrepancy in Match Requirement (Significant Deficiency)       | Resolved |
| 2017-001 Error in Partial Pay Per Diem Calculation (Other Noncompliance) | Resolved |

**CURRENT YEAR FINDINGS**

Financial Statement Findings

2018-001 Controls Over Cash Disbursements (Significant Deficiency)  
2018-002 Accounts Receivable Accounting (Material Weakness)  
2018-003 Capital Asset Accounting (Material Weakness)  
2018-004 Long Term Debt Accounting (Material Weakness)  
2018-005 Financial Report And Closing (Material Weakness)

Findings in Accordance with 2.2.2 NMAC

2018-006 Compliance With Fuel Card Activity (Other Noncompliance)  
2018-007 Late Audit (Other Noncompliance)  
2018-008 Pledged Collateral (Other Noncompliance)

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

**2018-001 – CONTROLS OVER CASH DISBURSEMENTS – (SIGNIFICANT DEFICIENCY)**

**CONDITION**

As part of our audit, we tested 25 cash disbursements and noted one disbursement in the amount of \$12,685 did not have the proper authorization for the purchase order.

**CRITERIA**

6-5-2C NMSA 1978 states that an entity shall implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

**CAUSE**

Improper monitoring and review is deemed to have caused the deficiency.

**EFFECT**

The City is in violation of its own cash disbursement policies and did not maintain proper documentation.

**RECOMENDATION**

We recommend that the City's policy is enforced and that the City emphasizes the importance to employees of adhering to City policies.

**MANAGEMENT'S RESPONSE**

The Administrative Services Director will work closely with our Certified Procurement Officer to ensure the City's internal procurement policy is enforced and all levels of approval are on both the finance as well as the division head copies of the Purchase Order prior to issuance.

**TIMELINE TO CORRECT**

Corrective action has occurred.

**RESPONSIBLE OFFICIAL**

Administrative Services Director & Certified Procurement Officer

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2018-002 ACCOUNTS RECEIVABLE ACCOUNTING (MATERIAL WEAKNESS)**

**CONDITION**

Accounts receivable balances were not reconciled to the trial balances for the enterprise funds, resulting in material audit adjustments.

**CRITERIA**

6-5-2C NMSA 1978 states that an entity shall implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. A strong system of controls requires a reconciliation of financial statement amounts to supporting schedules.

**EFFECT**

Accounts receivable related to utility billings were overstated by \$505,448 prior to audit adjustment.

**CAUSE**

The discrepancy is believed to be caused by adjustments made in prior year audits that were either incorrect or were incorrectly recorded/posted.

**RECOMENDATION**

We recommend that the City ensure that polices are in place to facilitate the reconciliation of financial statement balances to supporting schedules and modules. Any discrepancies should be immediately investigated and corrected.

**MANAGEMENT RESPONSE**

City of Espanola did not receive all prior period adjusting entries. We were unaware of two sets of entries (adjusting & reclassification), as the City was only provided the adjusting journal entries. City of Espanola will communicate directly with current auditors regarding any adjusting entries that need to be posted so balances match the adjusted trial balance, per final audit report. Finance Department will review/reconcile accounts receivable balances on a monthly basis.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director/Financial Analyst/Utility Billing Supervisor

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2018-003 CAPITAL ASSET ACCOUNTING (MATERIAL WEAKNESS)**

**CONDITION**

During the testing of capital assets, it was determined that the assets put in service prior to 2009 were set up with the wrong beginning accumulated depreciation. The prior auditors posted an entry to correct accumulated depreciation during the 2016 audit, however those entries were not reflected in the City's financial statements and the capital asset module was not corrected.

**CRITERIA**

NMAC 2.20.1.8 states that "Agencies should implement systematic and well documented methods of accounting for their fixed assets. To be compliant with GASBS No. 34, capital assets must be presented at net book value based on correct accumulated depreciation, proper life and depreciation method.

**CAUSE**

City personnel were unaware the system was set up incorrectly.

**EFFECT**

Capital assets were understated by \$441,050 in governmental funds and overstated in enterprise funds by \$215,129 prior to audit adjustment.

**RECOMENDATION**

The City should perform an audit of the capital asset module and ensure depreciation is being correctly calculated, remaining useful lives appear reasonable, and amounts from the module reconcile to amounts recorded in the financial statements.

**MANAGEMENT RESPONSE**

City of Espanola did not receive all prior period adjusting entries needed to close out the prior year records. We were unaware of two sets of entries (adjusting & reclassification), as the City was only provided the adjusting journal entries. City of Espanola will communicate directly with current auditors regarding any adjusting entries that need to be posted so balances match the adjusted trial balance, per final audit report.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director / Assets Manager

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2018-004 LONG-TERM DEBT ACCOUNTING (MATERIAL WEAKNESS)**

**CONDITION**

During the testing of long-term debt, it was determined that three loans were improperly excluded from long term debt balances in the financial statements.

**CRITERIA**

GASBS No. 34 requires that long-term liabilities directly related to and expected to be paid from proprietary funds should be reported in the proprietary fund statement of net position and the government-wide statement of net position. All other unmatured general long-term liabilities of the government unit should not be reported as liabilities in governmental funds but should be reported in the governmental activities column of the government-wide statement of net position.

**CAUSE**

City personnel were improperly recording debt payments in enterprise funds as expenditures. Additionally three loans were improperly excluded from the schedule of long-term debt.

**EFFECT**

Long-term debt was understated by \$40,009 in governmental funds and by \$319,783 in enterprise funds prior to audit adjustment. Additionally, it was noted that the omitted long-term debt was for the purchase of capital assets, and thus resulted in an understatement of capital assets of \$93,326 in governmental funds and \$405,428 in enterprise funds prior to audit adjustment.

**RECOMENDATION**

The City should review all contracts and government obligations entered into, and ensure they are properly recorded in the financial statements and included on the schedule of long-term debt.

**MANAGEMENT RESPONSE**

The City will review all contracts and government obligations to ensure proper recording. Asset Manager/Administrative Services Director will work with Caselle Software to ensure proper input into Asset Management.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director/Financial Analyst/Assets Manager

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2018-005 FINANCIAL REPORT AND CLOSING (MATERIAL WEAKNESS)**

**CONDITION**

In preparation for final field work it was identified that significant adjustments to various key transaction cycles were required subsequent to the deadline established for the final trial balance. Additionally, the City does not have adequate procedures for year-end close processes related to capital assets, fund balance, accounts receivable, long-term debt and various accrual accounts resulting in subsequent adjustments to the trial balance totaling \$36,075,504.

**CRITERIA**

NMAC 2.20.5.8 requires that an internal control structure exists and is functioning properly, transactions are recorded timely and properly classified, and account balances are reconciled and reviewed regularly.

**CAUSE**

There is a lack of formal policies and procedures over year-end financial close and reporting.

**EFFECT**

The lack of procedures can result in late audits, significant misstatements, and increases potential for misstatements and/or misappropriation of assets.

**RECOMENDATION**

We recommend that management implement a year end process, and set internal deadlines with all financial staff regarding when and how year-end closing processes must be completed.

**MANAGEMENT RESPONSE**

Finance Department will work to implement year end process that includes identifying the account balances that require accruals and identifying the documents/reports that will be used to develop the accrual amounts so that year end activity is captured accurately and timely. It is also imperative that all staff involved understands the close out process.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC**

**2018-006 COMPLIANCE WITH FUEL CARD ACTIVITY (OTHER NON-COMPLIANCE)**

**CONDITION**

Based on testwork performed over fuel card activity, it was identified that for 4 out of 5 transactions tested, (totaling \$145) odometer readings did not appear reasonable based on fuel purchased and gas used.

**CRITERIA**

Per NMAC 1.5.3.11, a vehicle mileage log should include the date, employee name, beginning and ending mileage, destination, purpose of trip, type of fuel purchased, number of gallons purchased, total fuel cost, other vehicle related purchases, and a place for supervisor to make verification.

**CAUSE**

Deemed to be caused by a lack of training, monitoring and review.

**EFFECT**

The city was not in compliance with the statutory regulations, which could result in misappropriation, misuse, or potential fraud.

**RECOMENDATION**

We recommend that all employees with access to a fuel card take additional training on standard operating procedures, and all employees receive up to date policies.

**MANAGEMENT RESPONSE**

Finance Department will revise fuel log to include the date, employee name, beginning and ending mileage, destination, purpose of trip, type of fuel purchased, number of gallons purchase, total fuel cost, other vehicle related purchase, and a place for supervisor to make verification. We will ensure all staff with access to a fuel card, to include supervisors/directors receive training on standard operating procedures and receive up to date policies.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director / Assets Manager

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (CONTINUED)**

**2018-007 LATE AUDIT (OTHER NON-COMPLIANCE)**

**CONDITION**

The annual audit of the City was not submitted to the Office of the State Auditor by the statutory deadline of December 15, 2018.

**CRITERIA**

Per State Audit Rule 2.2.2.9 A 1 (d), the audited financial statements of local public bodies including municipalities are due by December 15 following the close of the year under audit.

**CAUSE**

There was a delay in providing auditors with basic financial information, including significant time to reconcile and provide accurate trial balance. The field work was scheduled in November 2018, records provided contained several errors and reconciling issues. Auditors then needed additional time to complete all audit procedures, to perform necessary reviews of the financial statements and to perform its quality control procedures to ensure a high-quality audit document and closure on all audit procedures.

**EFFECT**

The City was not in compliance with state law.

**RECOMMENDATION**

A milestone schedule with completion dates can be agreed on to ensure on time completion; the City should develop a strategy for ensuring that accounting records are reconciled prior to the beginning of audit fieldwork, auditor requests are responded to timely and that delays be communicated early and frequently to allow for fieldwork timing to be changed.

**MANAGEMENT RESPONSE**

The City is in the process of correcting its status regarding late audit reports. The plan is to be current with our fiscal year 2019 audit report.

**TIMELINE TO CORRECT**

December 15, 2019

**RESPONSIBLE OFFICIAL**

City Manager / Administrative Services Director



**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (CONTINUED)**

**2018-008 PLEDGED COLLATERAL (OTHER NON-COMPLIANCE)**

**CONDITION**

The City had deposits with one financial institution that did not meet pledged collateral requirements by \$23,050.

**CRITERIA**

Pursuant to Section 6-10-17 NMSA 1978, the pledged collateral for deposits in banks and savings and loan associations shall have an aggregate value equal to one-half of the amount of public money held by the depository. If this requirement is not met the audit report shall include a finding. No security is required for the deposit of public money that is insured by the federal deposit insurance corporation (FDIC) or the national credit union administration (NCUA) in accordance with Section 6-10-16 NMSA 1978. Collateral requirements shall be calculated separately for each bank and disclosed in the notes.

**CAUSE**

The City was not familiar with the Service Agreement in place for this financial institution, and did not realize that the financial institution did not pledge collateral. Additionally, the City did not ensure that funds held in that institution did not exceed federally insured amounts.

**EFFECT**

The City was exposed to losses due to custodial credit risk.

**RECOMMENDATION**

The City should familiarize themselves with service agreements for each financial institution and ensure that any balances in excess of insured limits have pledged collateral equal to fifty percent of balances in excess of insured limits.

**MANAGEMENT RESPONSE**

The City has obtained a copy of the Service Agreement. The City will be sure that balances from Xpress Bill Pay are transferred to the General Operating account on a quarterly basis.

**TIMELINE TO CORRECT**

June 30, 2019

**RESPONSIBLE OFFICIAL**

Administrative Services Director

**STATE OF NEW MEXICO  
CITY OF ESPAÑOLA  
EXIT CONFERENCE  
For the Year Ended June 30, 2018**

**A. EXIT CONFERENCE**

An exit conference was held on February 25, 2019, to discuss the annual financial report. Attending were the following:

Representing the City of Española New Mexico:

|                   |                                  |
|-------------------|----------------------------------|
| Javier E. Sanchez | Mayor                            |
| Pedro Valdez      | Councilor                        |
| Melissa Velasquez | City Clerk                       |
| Jessica Ortiz     | Administrative Services Director |
| Diahann Jacquez   | Grants Manager                   |
| Steven Trujillo   | Water Operations Supervisor      |

Representing the Independent Auditor:

|                  |                  |
|------------------|------------------|
| Mike Easley, CPA | Audit Supervisor |
|------------------|------------------|

**B. AUDITOR PREPARED FINANCIAL STATEMENTS**

Ricci and Company LLC 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 City.