



Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccicpa.com

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA**

TABLE OF CONTENTS

Introductory Section

Table of Contents	i
Official Roster	iii

Financial Section

Independent Auditors' Report	1
------------------------------	---

Basic Financial Statements:

Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	6

Fund Financial Statements:

Balance Sheet - Governmental Funds	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	12
Municipal Service Improvements Special Revenue Fund	13
Fire Fund Special Revenue Fund	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Fiduciary Assets and Liabilities – Agency Funds	20
Notes to the Financial Statements	21

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA**

TABLE OF CONTENTS (CONTINUED)

Required Supplementary Information:

Schedule of the City’s Proportionate Share of the Net Pension Liability	63
Schedule of the City’s Pension Contributions	65
Notes to Required Supplementary Information	68
Schedule of the City’s Proportionate Share of the Net OPEB Liability	69
Schedule of the City’s OPEB Contributions	70
Notes to Required Supplementary Information	71

Supplementary Information:

Nonmajor Governmental Fund Descriptions	72
Combining and Individual Fund Statements and Schedules;	
Combining Balance Sheet – Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Nonmajor Governmental Funds	84

Supporting Schedules:

Schedule of Deposits and Investment Accounts	93
Schedule of Collateral Pledged by Depository for Public Funds	94
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	95
Schedule of Joint Powers Agreements	97
Schedule of Appropriations	99

Compliance Section:

Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	100
Schedule of Findings and Responses	102
Exit Conference	105

**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

David Valdez	City Manager
Melissa Velasquez	City Clerk
Jessica Ortiz	Administrative Service Director

FINANCIAL SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

Independent Auditors' Report

Brian S. Colón, Esq., 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, 2019, 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.

Auditors' 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, 2019, 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.

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 63-68, and the GASB Supplementary OPEB Schedules on page 69-71 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 December 13, 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
December 13, 2019

BASIC FINANCIAL STATEMENTS
Government-wide financial Statements

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
STATEMENT OF NET POSITION
June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,950,024	4,642,516	\$ 15,592,540
Investments	170,439	58,929	229,368
Taxes Receivable:			
Property taxes	201,538	-	201,538
Gross receipts tax	399,669	-	399,669
Other taxes	89,427	-	89,427
Grants receivable	53,091	-	53,091
Other Receivables	1,345,347	14,062	1,359,409
Customer receivables, net	-	438,431	438,431
Taxes and franchise receivable		-	-
Internal balances	387,220	-	387,220
Total current assets	13,596,755	5,153,938	18,750,693
Noncurrent assets:			
Restricted cash and cash equivalents	1,885,728	2,242,583	4,128,311
Restricted investments	820,989	464,272	1,285,261
Capital assets	37,294,664	18,504,769	55,799,433
Less: accumulated depreciation	(22,182,439)	(8,386,795)	(30,569,234)
Total noncurrent assets	17,818,942	12,824,829	30,643,771
Total assets	31,415,697	17,978,767	49,394,464
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	3,137,870	284,810	3,422,680
Deferred outflows related to OPEB	293,298	57,495	350,793
Total deferred outflows	3,431,168	342,305	3,773,473
Total assets and deferred outflows	\$ 34,846,865	18,321,072	\$ 53,167,937

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

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 448,917	409,880	\$ 858,797
Bank overdraft	83,462	68,460	151,922
Accrued payroll	466,852	14,648	481,500
Interfund payable	-	387,220	387,220
Accrued interest payable	34,566	58,012	92,578
Accrued compensated absences	473,726	74,457	548,183
Bonds payable	-	5,449	5,449
Loans and notes payable	782,994	584,708	1,367,702
Total current liabilities	2,290,517	1,602,834	3,893,351
Noncurrent liabilities:			
Accrued compensated absences	257,743	14,028	271,771
Bonds payable	-	149,551	149,551
Loans and notes payable	5,430,858	6,974,122	12,404,980
Accrued landfill closure costs	-	192,500	192,500
Net pension liability	12,125,660	1,038,569	13,164,229
Net OPEB liability	5,047,742	989,514	6,037,256
Total noncurrent liabilities	22,862,003	9,358,284	32,220,287
Total liabilities	25,152,520	10,961,118	36,113,638
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,203,394	61,361	1,264,755
Deferred inflows related to OPEB	1,304,244	255,672	1,559,916
Total deferred inflows	2,507,638	317,033	2,824,671
NET POSITION			
Net investment in capital assets	8,898,373	2,404,144	11,302,517
Restricted for:			
Debt service	3,274,053	464,272	3,738,325
Capital projects	2,438,792	-	2,438,792
Special revenue	3,987,478	-	3,987,478
Unrestricted	(11,411,989)	4,174,505	(7,237,484)
Total net position	7,186,707	7,042,921	14,229,628
Total liabilities, deferred inflows, and net position	\$ 34,846,865	18,321,072	\$ 53,167,937

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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
General government	\$ 3,769,520	547,883	123,445	-	(3,098,192)	-	\$ (3,098,192)
Public safety	6,467,725	5,500	1,294,159	-	(5,168,066)	-	(5,168,066)
Public works	2,078,144	-	-	502,219	(1,575,925)	-	(1,575,925)
Cultural and recreational	1,402,229	152,520	25,000	-	(1,224,709)	-	(1,224,709)
Interest and fees on long-term debt	170,818	-	-	-	(170,818)	-	(170,818)
Total governmental activities	13,888,436	705,903	1,442,604	502,219	(11,237,710)	-	(11,237,710)
Business-type activities:							
Water and wastewater	4,046,379	5,275,056	-	-	-	1,228,677	1,228,677
Solid waste	979,296	764,797	-	-	-	(214,499)	(214,499)
Total business-like activities	5,025,675	6,039,853	-	-	-	1,014,178	1,014,178
Total primary government	\$ 18,914,111	6,745,756	1,442,604	502,219	\$ (11,237,710)	1,014,178	\$ (10,223,532)
General Revenues							
Taxes:							
Property taxes					\$ 795,058	-	\$ 795,058
Gross receipts taxes					9,769,656	137,978	9,907,634
Gasoline and motor vehicle taxes					447,387	-	447,387
Franchise tax					-	-	-
Lodgers' tax					56,840	-	56,840
Investment income					449,376	9,670	459,046
Gain (loss) on disposal of assets					(16,297)	-	(16,297)
Other					43,236	-	43,236
Decrease in landfill liability (see Note 13)						13,750	13,750
Transfers					584,297	(584,297)	-
Total general revenues and transfers					12,129,553	(422,899)	11,706,654
Change in net position					891,843	591,279	1,483,122
Net position - beginning,					6,294,864	6,451,642	12,746,506
Net position - ending					\$ 7,186,707	7,042,921	\$ 14,229,628

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

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	101, 301, 503, 520	124 Municipal Service Improvements Special Revenue Fund	209 Fire Protection Special Fund	305, 310, 313, 314, 605 Infrastructure Capital Projects Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 4,145,528	2,753,569	479,387	1,924,043	3,533,225	\$ 12,835,752
Investments	170,439	-	-	-	820,989	991,428
Taxes Receivable:						
Property taxes	201,538	-	-	-	-	201,538
Gross receipts tax	63,980	125,828	-	209,861	-	399,669
Other taxes	20,414	-	-	-	69,013	89,427
Grants receivable	-	-	-	-	53,091	53,091
Other receivables	1,340,281	-	-	-	5,066	1,345,347
Due from other funds	696,928	-	-	-	113,559	810,487
Total assets	\$ 6,639,108	2,879,397	479,387	2,133,904	4,594,943	\$ 16,726,739
LIABILITIES						
Liabilities:						
Accounts payable	\$ 375,760	11,900	26,884	-	34,373	\$ 448,917
Bank overdraft	-	-	-	-	83,462	83,462
Accrued payroll	466,852	-	-	-	-	466,852
Due to other funds	124,412	-	-	-	298,855	423,267
Total liabilities	967,024	11,900	26,884	-	416,690	1,422,498
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue- property taxes	171,051	-	-	-	-	171,051
Total deferred inflows of resources	171,051	-	-	-	-	171,051
Fund Balances:						
Restricted for:						
Municipal service improvements	-	2,867,497	-	-	-	2,867,497
Maintenance of roads	-	-	-	-	109,232	109,232
Fire department	-	-	452,503	-	-	452,503
Culture and recreation	-	-	-	-	305,563	305,563
Public safety	-	-	-	-	252,683	252,683
Capital projects expenditures	-	-	-	2,133,904	304,888	2,438,792
Debt service expenditures	-	-	-	-	3,274,053	3,274,053
Committed for:						
Subsequent year's expenditures	847,228	-	-	-	-	847,228
Unassigned	4,653,805	-	-	-	(68,166)	4,585,639
Total fund balances	5,501,033	2,867,497	452,503	2,133,904	4,178,253	15,133,190
Total liabilities, deferred inflows and fund balances	\$ 6,639,108	2,879,397	479,387	2,133,904	4,594,943	\$ 16,726,739

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, 2019**

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

Fund Balance of Governmental Funds	\$ 15,133,190
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,112,225
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and therefore, are not reported in the funds	923,530
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	171,051
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:	
Accrued interest payable	(34,566)
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	(731,469)
Current and noncurrent portions of loans and notes payable	(6,213,852)
Net pension liability	(12,125,660)
Net OPEB liability	<u>(5,047,742)</u>
Total net position of governmental activities	\$ <u><u>7,186,707</u></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 BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	101,301,503, 520	124 Municipal Service Improvements	209 Fire Protection	305,310,313, 314,605	Other Governmental Funds	Total
	General Fund	Special Revenue Fund	Special Revenue Fund	Infrastructure Capital Projects Fund		
REVENUES						
Taxes:						
Property	\$ 806,285	-	-	-	-	\$ 806,285
Gross receipts	8,039,999	673,922	-	1,055,735	-	9,769,656
Gasoline and motor vehicle taxes	116,332	-	-	-	33,1055	447,387
Franchise tax	-	-	-	-	-	-
Lodger's tax	-	-	-	-	56,840	56,840
Intergovernmental income:						
Federal operating grants	-	123,445	286,746	-	-	410,191
Federal capital grants	-	-	-	-	466,389	466,389
State operating grants	-	-	100,000	-	932,413	1,032,413
State capital grants	-	-	-	-	35,830	35,830
Charges for services	663,417	-	-	-	42,486	705,903
Licenses and fees	-	-	-	-	4,860	4,860
Investment income	351,505	-	2,089	-	95,782	449,376
Miscellaneous	(88,624)	46,579	3,000	-	77,421	38,376
Total revenues	\$ 9,888,914	843,946	391,835	1,055,735	2,043,076	\$ 14,223,506
Expenditures						
Current:						
General government	\$ 3,286,838	-	-	-	1,404	\$ 3,288,242
Public safety	4,756,009	672	204,015	-	962,116	5,922,812
Public works	1,007,724	365,417	567	25,994	450,473	1,850,175
Culture and recreation	1,153,992	-	2,227	2,888	49,066	1,208,173
Capital outlay	-	102,300	41,089	-	5,515	148,904
Debt Service:						
Principal	-	-	-	-	764,502	764,502
Administrative	-	-	-	-	4,177	4,177
Interest	-	-	-	-	167,016	167,016
Total expenditures	10,204,563	468,389	247,898	28,882	2,404,269	13,354,001
Excess (deficiency) of revenues over expenditures	(315,649)	375,557	143,937	1,026,853	(361,193)	869,505
Other financing sources (uses)						
Proceeds from issuance of debt	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-
Transfers in	720,000	-	-	91,116	956,779	1,767,895
Transfers out	(654,625)	-	-	(515,473)	(13,500)	(1,183,598)
Total other financing sources (uses)	65,375	-	-	(424,357)	943,279	584,297
Net change in fund balances	(250,274)	375,557	143,937	602,496	582,086	1,453,802
Fund balance - beginning of year	5,751,307	2,491,940	308,566	1,531,408	3,596,167	13,679,388
Fund balance - end of year	\$ 5,501,033	2,867,497	452,503	2,133,904	4,178,253	\$ 15,133,190

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, 2019**

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

Net change in fund balances - total governmental funds	\$ 1,453,802
--	--------------

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

Capital expenditures recorded in capital outlay	148,904
Depreciation expense	(774,526)

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.

	(16,297)
--	----------

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	(11,227)
--	----------

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	375
Change in accrued compensated absences	53,262
Proceeds from the issuance of debt	-
Principal payments on bonds, notes, and loans payable	764,502

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 Pension/OPEB, is reported in the statement of activities.

City pension contributions	663,781
Pension expense	(1,390,733)

Change in net position of governmental activities	\$ <u>891,843</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)
GENERAL FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original Approved Budget	Final Approved Budget		
Revenues				
Taxes:				
Property taxes	\$ 744,415	744,415	798,767	\$ 54,352
Gross receipts	8,392,505	8,392,505	7,975,326	(417,179)
Gas and motor vehicle	111,087	111,087	-	(111,087)
Franchise tax	279,871	279,871	-	(279,871)
Charges for services	153,378	153,378	-	(153,378)
Licenses and fees	74,480	74,480	-	(74,480)
Investment income	16,307	16,307	351,505	335,198
Miscellaneous	752,939	755,836	65,289	(690,547)
Total revenues	<u>10,524,982</u>	<u>10,527,879</u>	<u>9,190,887</u>	<u>(1,336,992)</u>
Expenditures				
Current:				
General government	5,581,196	5,581,196	3,278,037	2,303,159
Public safety	4,054,748	4,054,748	4,366,714	(311,966)
Public works	1,134,109	1,137,006	1,007,724	129,282
Culture and recreation	1,194,931	1,194,931	1,153,992	40,939
Capital outlay	-	-	-	-
Total expenditures	<u>11,964,984</u>	<u>11,967,881</u>	<u>9,806,467</u>	<u>2,161,414</u>
Excess (deficiency) of revenues over expenditures	<u>(1,440,002)</u>	<u>(1,440,002)</u>	<u>(615,580)</u>	<u>(3,498,406)</u>
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	269,964	382,240	-	(382,240)
Proceeds from sale of fixed assets	-	-	-	-
Transfers in	720,000	720,000	720,000	-
Transfers out	(654,629)	(654,629)	(654,625)	4
Total other financing sources (uses)	<u>335,335</u>	<u>447,611</u>	<u>65,375</u>	<u>(382,236)</u>
Net change in fund balance	(1,104,667)	(992,391)	(550,205)	(3,880,642)
Fund balance - beginning of year	-	-	4,254,594	4,254,594
Fund balance - end of year	<u>\$ (1,104,667)</u>	<u>(992,391)</u>	<u>3,704,389</u>	<u>\$ 4,338,883</u>
Net change in fund balance (Non-GAAP basis)			\$ (550,205)	
Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income			698,027	
Adjustments to expenditures for salaries, professional services, and supplies			(398,096)	
Net change in fund balance (GAAP Basis)			<u>\$ (250,274)</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, 2019**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Approved Budget	Approved Budget		
Revenues				
Intergovernmental income:				
Federal operating grants	\$ -	-	123,445	\$ 123,445
Federal capital grants	-	-	-	-
Gross receipts	696,391	696,391	673,922	(22,469)
State capital grants	-	-	-	-
Miscellaneous	103,394	103,394	46,579	(56,815)
Total revenues	<u>799,785</u>	<u>799,785</u>	<u>843,946</u>	<u>44,161</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	93,906	93,906	672	93,234
Public works	277,047	277,047	-	277,047
Culture and recreation	71,031	71,031	365,417	(294,386)
Capital outlay	357,801	357,801	102,300	255,501
Total expenditures	<u>799,785</u>	<u>799,785</u>	<u>468,389</u>	<u>331,396</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>375,557</u>	<u>(287,235)</u>
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	375,557	(287,235)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>4,254,594</u>	<u>4,254,594</u>
Fund balance - end of year	<u>\$ -</u>	<u>-</u>	<u>4,630,151</u>	<u>\$ 4,338,883</u>
Net change in fund balance (Non-GAAP basis)			\$ 375,557	
Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income			-	
Adjustments to expenditures for salaries, professional services, and supplies			-	
Net change in fund balance (GAAP Basis)			<u>\$ 375,557</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, 2019**

	Budgeted Amounts			Variances
	Original	Final		Favorable
	Approved	Approved	Actual	(Unfavorable)
	Budget	Budget		Final to Actual
Revenues				
Intergovernmental income:	\$		\$	
Federal operating grants	-	-	286,746	286,746
Federal capital grants	-	-	-	-
State operating grants	280,785	380,785	100,000	(280,785)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,169	1,169	2,089	920
Miscellaneous	116,059	116,059	3,000	(113,059)
Total revenues	<u>398,013</u>	<u>498,013</u>	<u>391,835</u>	<u>(106,178)</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	398,013	498,013	204,015	293,998
Public works	-	-	567	(567)
Culture and recreation	-	-	2,227	(2,227)
Capital outlay	-	-	41,089	(41,089)
Total expenditures	<u>398,013</u>	<u>498,013</u>	<u>247,898</u>	<u>250,115</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>143,937</u>	<u>(356,293)</u>
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	101,623	149,052	-	(149,052)
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>101,623</u>	<u>149,052</u>	<u>-</u>	<u>(149,052)</u>
Net change in fund balance	101,623	149,052	143,937	(505,345)
Fund balance - beginning of year	-	-	4,254,594	4,254,594
Fund balance - end of year	<u>\$ 101,623</u>	<u>149,052</u>	<u>4,398,531</u>	<u>\$</u>
Net change in fund balance (Non-GAAP basis)			\$ 143,937	
Adjustments to revenues for gross receipts taxes, franchise taxes, and miscellaneous income			-	
Adjustments to expenditures for salaries, professional services, and supplies			-	
Net change in fund balance (GAAP Basis)			<u>\$ 143,937</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, 2019**

	Enterprise Funds		Total
	500, 505 Water and Wastewater	510 Solid Waste	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,642,516	-	\$ 4,642,516
Investments	58,929	-	58,929
Customer receivables, net	319,685	118,746	438,431
Gross receipts tax receivable	-	-	-
Other receivables	-	14,062	14,062
Total current assets	<u>5,021,130</u>	<u>132,808</u>	<u>5,153,938</u>
Noncurrent assets			
Restricted cash	2,242,583	-	2,242,583
Restricted investments	464,272	-	464,272
Capital assets	18,504,769	-	18,504,769
Less: accumulated depreciation	(8,386,795)	-	(8,386,795)
Total noncurrent assets	<u>12,824,829</u>	<u>-</u>	<u>12,824,829</u>
Deferred outflows of resources			
Deferred outflows related to pension	284,810	-	284,810
Deferred outflows related to OPEB	57,495	-	57,495
Total deferred outflows of resources	<u>342,305</u>	<u>-</u>	<u>342,305</u>
Total assets and deferred outflows of resources	<u>\$ 18,188,264</u>	<u>132,808</u>	<u>\$ 18,321,072</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 (CONTINUED)
June 30, 2019**

	Enterprise Funds		Total
	500, 505 Water and Wastewater	510 Solid Waste	
LIABILITIES			
Current liabilities			
Accounts payable	\$ 291,265	118,615	\$ 409,880
Bank overdrafts	-	68,460	68,460
Accrued expenses	14,648	-	14,648
Due to other funds	-	387,220	387,220
Accrued interest payable	58,012	-	58,012
Accrued compensated absences	74,457	-	74,457
Bonds payable	5,449	-	5,449
Loans and capital leases payable	584,708	-	584,708
Total current liabilities	<u>1,028,539</u>	<u>574,295</u>	<u>1,602,834</u>
Noncurrent liabilities			
Accrued compensated absences	14,028	-	14,028
Bonds payable	149,551	-	149,551
Loans and capital leases payable	6,974,122	-	6,974,122
Accrued landfill closure costs	-	192,500	192,500
Net pension liability	1,038,569	-	1,038,569
Net OPEB liability	989,514	-	989,514
Total noncurrent liabilities	<u>9,165,784</u>	<u>192,500</u>	<u>9,358,284</u>
Total liabilities	<u>10,194,323</u>	<u>766,795</u>	<u>10,961,118</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	61,361	-	61,361
Deferred inflows related to OPEB	255,672	-	255,672
Total deferred inflows of resources	<u>317,033</u>	<u>-</u>	<u>317,033</u>
NET POSITION			
Committed	-	-	-
Net investment in capital assets	2,404,144	-	2,404,144
Restricted for:			
Debt service	464,272	-	464,272
Unrestricted	4,808,492	(633,987)	4,174,505
Total net position	<u>7,676,908</u>	<u>(633,987)</u>	<u>7,042,921</u>
Total liabilities, deferred inflows and net position	<u>\$ 18,188,264</u>	<u>132,808</u>	<u>\$ 18,321,072</u>

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, 2019**

	Enterprise Funds		Total
	500, 505 Water and Wastewater	510 Solid Waste	
OPERATING REVENUES			
Charges for services	\$ 5,275,056	764,797	\$ 6,039,853
Total operating revenues	<u>5,275,056</u>	<u>764,797</u>	<u>6,039,853</u>
OPERATING EXPENSES			
Payroll and benefits	1,516,286	-	1,516,286
Public safety	110,075	-	110,075
Contractual services	560,615	769,920	1,330,535
Public works	108,236	-	108,236
Supplies and services	397,603	118,363	515,966
Repairs and maintenance	129,850	-	129,850
Utilities	588,415	-	588,415
Depreciation	459,279	-	459,279
Total operating expenses	<u>3,870,359</u>	<u>888,283</u>	<u>4,758,642</u>
Operating income (loss)	<u>1,404,697</u>	<u>(123,486)</u>	<u>1,281,211</u>
Non-operating revenues (expenses)			
Gross receipts taxes	-	137,978	137,978
Other expenses	(102,637)	-	(102,637)
Interest expense	(101,898)	-	(101,898)
Investment income	9,670	-	9,670
Bad debt recovery (expense)	28,515	(91,013)	(62,498)
Gain (loss) on disposal of assets	-	-	-
Amortization of landfill liability	-	13,750	13,750
Total deferred outflows of resources	<u>(166,350)</u>	<u>60,715</u>	<u>(105,635)</u>
Income before contributions and transfers	1,238,347	(62,771)	1,175,576
Transfers in	432,786	-	432,786
Transfers out	(942,083)	(75,000)	(1,017,083)
Total contributions and transfers	<u>(509,297)</u>	<u>(75,000)</u>	<u>(584,297)</u>
Change in net position	729,050	(137,771)	591,279
Net position - beginning of year	<u>6,947,858</u>	<u>(496,216)</u>	<u>6,451,642</u>
Net position - end of year	<u>\$ 7,676,908</u>	<u>(633,987)</u>	<u>\$ 7,042,921</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, 2019**

	Enterprise Funds		Total
	500, 505 Water and Wastewater	510 Solid Waste	
Cash flows from operating activities			
Cash received from user charges	\$ 5,396,387	693,499	\$ 6,089,886
Cash payments to employees for services	(1,537,974)	-	(1,537,974)
Cash payments to suppliers for goods and services	(1,711,477)	(827,267)	(2,538,744)
Net cash provided (used) by operating activities	<u>2,146,936</u>	<u>(133,768)</u>	<u>2,013,168</u>
Cash flows from noncapital financing activities			
Gross receipts taxes	-	167,961	167,961
Interfund transfers (net)	(509,297)	(75,000)	(584,297)
Interfund loaned (repaid) received	-	(27,653)	(27,653)
Net cash (used) provided by noncapital financing activities	<u>(509,297)</u>	<u>65,308</u>	<u>(443,989)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,154,658)	-	(1,154,658)
Proceeds from capital debt	3,931,629	-	3,931,629
Interest and admin fees paid	(204,535)	-	(204,535)
Principal payments on bonds and loans	(879,830)	-	(879,830)
Net cash provided by capital and related financing activities	<u>1,692,606</u>	<u>-</u>	<u>1,692,606</u>
Cash flows from investing activities			
Investment income	38,900	-	38,900
Net cash provided by investing activities	<u>38,900</u>	<u>-</u>	<u>38,900</u>
Net increase (decrease) in cash and cash equivalents	3,369,145	(68,460)	3,300,685
Cash and cash equivalents - beginning of year	<u>3,515,954</u>	<u>-</u>	<u>3,515,954</u>
Cash and cash equivalents - end of year	<u>\$ 6,885,099</u>	<u>(68,460)</u>	<u>\$ 6,816,639</u>
Per Statement of Net Position			
Cash and cash equivalents	\$ 4,642,516	-	\$ 4,642,516
Restricted cash	2,242,583	-	2,242,583
Bank overdrafts	-	(68,460)	(68,460)
Total	<u>\$ 6,885,099</u>	<u>(68,460)</u>	<u>\$ 6,816,639</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 (CONTINUED)
For the Year Ended June 30, 2019**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>500, 505 Water and Wastewater</u>	<u>510 Solid Waste</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,404,697	(123,486)	\$ 1,281,211
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	459,279	-	459,279
Noncash pension expense (benefit)	43,513	-	43,513
Noncash OPEB expense (benefit)	(47,854)	-	(47,854)
Changes in assets and liabilities:			
Receivables	121,331	(71,298)	50,033
Accounts payable	183,317	61,016	244,333
Accrued payroll	11,163	-	11,163
Compensated absences	(28,510)	-	(28,510)
Net cash provided (used) by operating activities	<u>\$ 2,146,936</u>	<u>(133,768)</u>	<u>\$ 2,013,168</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, 2019**

ASSETS	
Cash	\$ 356,056
Investments	43,000
Accounts receivable	<u>19,743</u>
Total assets	<u><u>\$ 418,799</u></u>
LIABILITIES	
Bond deposits payable	\$ 36,283
Due to other entities	<u>382,516</u>
Total liabilities	<u><u>\$ 418,799</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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.

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

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

A 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.

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*.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net position and Fund Equity (Continued)

Restricted Assets (Continued)

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, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 totaled \$171,051.

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

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net position and Fund Equity (Continued)

Long-term Obligations (Continued)

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.

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, 2019, the City did not have any fund balances in this classification.

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net position and Fund Equity (Continued)

Fund Balance Classification Policies and Procedures (Continued)

- *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, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$9,700,213 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, 2019 this amounts to \$847,228 and is reported as committed fund balance.
- *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, 2019, 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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net position and Fund Equity (Continued)

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.”

Interfund Transactions

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City’s financial statements include the allowance for uncollectible accounts in the general fund and the enterprise funds, accrued compensated absences, estimated closure costs for the City’s landfill, net pension liability and related deferred inflows and outflows, and the useful lives of depreciable assets used to calculate depreciation expense.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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, 2019.

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

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

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, the carrying amount of the City’s deposits was \$15,592,540, and the bank balance was \$14,115,334 which is exposed to custodial credit risk as follows.

Uninsured	\$ 14,291,974
Pledged collateral held by the pledging Financial Institution's trust department but not in the City's name	<u>7,507,952</u>
Uninsured and uncollateralized	<u>\$ 6,784,022</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.

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2019 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Avg. Maturity</u>	<u>Fair Value</u>
New Mexico Local Government Investment Pool	AAAm	WAM (F) 100 days	\$ 1,848,357
U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque	Aaa **	< 90 days	464,272
U.S. Treasury Money Market Mutual Funds held with Bank of Albuquerque - NMFA	Aaa **	< 90 days	4,949,299
			<u>\$ 7,261,928</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 25% and 75%, 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).

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – Investments (Continued)

The City has presented certificates of deposits of \$272,368 as investments in the Statement of Net Position; however, these are classified as deposits for disclosure purposes.

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

The City maintained a balance of \$1,848,357 in New Mexico LGIP and \$5,413,521 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, 2019:

<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>\$7,261,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,261,928</u>

NOTE 4. RECEIVABLES

Receivables as of June 30, 2019, are as follows:

	General Fund	Municipal Service Improvements	Infrastructure Capital projects	Other Governmental Funds	Total
Governmental Activities					
Property taxes receivable	\$ 201,538	-	-	-	\$ 201,538
Other receivables:					
Gross receipts	63,980	125,828	209,861	-	399,669
Gasoline tax	-	-	-	57,547	57,547
Motor vehicle tax	20,414	-	-	-	20,414
Lodgers's taxes	-	-	-	11,466	11,466
Due from other governments:					
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	53,091	53,091
Miscellaneous	1,340,281	-	-	5,066	1,345,347
Total receivables	<u>\$ 1,626,213</u>	<u>125,828</u>	<u>209,861</u>	<u>127,170</u>	<u>\$ 2,089,072</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, 2019 was \$171,051.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4. RECEIVABLES (CONTINUED)

Business Type Activities:	Water and Principal	Solid Waste	Total
Customer receivables	\$ 1,152,755	403,418	\$ 1,556,173
Other receivables:			
Gross receipts taxes	-	14,062	14,062
Miscellaneous	-	-	-
Total gross receivables:	1,152,755	417,480	1,570,235
Less: allowance for doubtful accounts	(833,070)	(284,672)	(1,117,742)
Total net receivables	\$ 319,685	132,808	\$ 452,493

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

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, 2019 is as follows:

Due to:	Due From:			Total
	General Fund	Nonmajor Governmental Funds	Solid Waste	
General Fund	\$ -	\$ 298,855	\$ 387,220	\$ 686,075
Nonmajor Governmental Funds	124,412	-	-	124,412
	\$ 124,412	298,855	387,220	810,487

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. INTERFUND BALANCES AND ACTIVITY (CONTINUED)

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows during the year ended June 30, 2019:

	Transfer To:				Total
	General Fund	Municipal Svc. Impr. SRF	Nonmajor Governmental Funds	Water and Wastewater Fund	
Transfer From:					
General Fund	\$ -	-	750,812	-	\$ 750,812
Nonmajor Governmental Funds	-	-		432,783	432,783
Water and Wastewater Fund	645,000	-	297,083	-	942,083
Solid Waste	75,000	-	-	-	75,000
Total	<u>\$ 720,000</u>	<u>-</u>	<u>1,047,895</u>	<u>432,783</u>	<u>\$ 2,200,678</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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.

Governmental activities:	Balance June 30, 2018	Adjustments	Additions	Deletions	Balance June 30, 2019
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>4,808,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,808,558</u>
Capital assets being depreciated:					
Buildings and improvements	21,539,197	14,025	-	-	21,553,222
Infrastructure	5,198,345	-	-	-	5,198,345
Vehicles, furniture and equipment	5,903,095	(14,025)	148,904	(303,435)	5,734,539
Total capital assets being depreciated	<u>32,640,637</u>	<u>-</u>	<u>148,904</u>	<u>(303,435)</u>	<u>32,486,106</u>
Total assets	37,449,195	-	148,904	(303,435)	37,294,664
Less accumulated depreciation:					
Building and improvements	(12,267,093)	-	(465,199)	-	(12,732,292)
Infrastructure	(4,569,697)	-	(47,007)	-	(4,616,704)
Vehicles, furniture and equipment	(4,858,261)	6,762	(262,320)	280,376	(4,833,443)
Total accumulated depreciation	<u>(21,695,051)</u>	<u>6,762</u>	<u>(774,526)</u>	<u>280,376</u>	<u>(22,182,439)</u>
Total capital assets, net of depreciation	<u>\$ 15,754,144</u>	<u>6,762</u>	<u>(625,622)</u>	<u>(23,059)</u>	<u>\$ 15,112,225</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, 2019 was \$774,526 and was allocated to the following functions in the statement of activities as follows:

General government	\$ 109,073
Public safety	243,428
Public works	227,969
Culture and recreation	194,056
Total	<u>\$ 774,526</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Business type activities:	Balance June 30, 2018	Adjustments	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:					
Construction in Process	\$ -	-	1,129,133	-	\$ 1,129,133
Capital assets being depreciated:					
Buildings and improvements	9,920,257				9,920,257
Infrastructure	5,492,166	-	-	-	5,492,166
Vehicles, furniture and equipment	1,937,688	-	25,525	-	1,963,213
Total capital assets being depreciated	17,350,111	-	25,525	-	17,375,636
Less accumulated depreciation:					
Buildings and improvements	(4,104,663)	-	(236,635)	-	(4,341,298)
Infrastructure	(2,484,974)	-	(100,040)	-	(2,585,014)
Vehicles, furniture and equipment	(1,337,879)	-	(122,604)	-	(1,460,483)
Total accumulated depreciation	(7,927,516)	-	(459,279)	-	(8,386,795)
Total capital assets, net of depreciation	\$ 9,422,595	-	695,379	-	\$ 10,117,974

Depreciation expense totaling \$459,279 was charged to water and wastewater fund for fiscal year ending June 30, 2019.

NOTE 7. LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Government Activities:	Balance 06/30/18	Adjustments	Additions	Retirements	Balance 6/30/2019	Due Within One Year
NMFA loans	\$ 6,978,354	-	-	(764,502)	6,213,852	\$ 782,994
Compensated absences	784,731	-	420,464	(473,726)	731,469	473,726
Total long-term debt						
Liabilities	\$ 7,763,085	-	420,464	(1,238,228)	6,945,321	\$ 1,256,720

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

NMFA Loans

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

Revenue Bonds Description	Date of Issue	Due Date	Original Interest Rate	Amount of Issue
NMFA 2549 - Espanola 12	02/04/2011	05/01/2017	3.306%	1,461,097
NMFA 2550 - Espanola 13	02/04/2011	05/01/2023	3.247%	2,415,000
NMFA 3639-PP	02/24/2017	09/01/2025	1.14-2.53%	4,290,000
NMFA PPRF-4697 - Fire Truck	06/08/2018	05/01/2033	1.71-3.08%	1,252,257

Year ended	Total Debt		
June 30:	Principal	Interest	Service
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	654,073	6,363	660,436
2025-2029	1,711,358	116,870	1,828,228
2030-2033	382,948	13,483	396,431
	<u>\$ 6,213,852</u>	<u>638,415</u>	<u>\$ 6,852,267</u>

Revenue Bonds

At June 30, 2019, the City had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Original Interest Rate	Amount of Issue
1997 RUS	03/31/1997	03/01/2037	5.00%	225,000

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2019, including interest payments, are as follows:

Year ended	Total Debt		
June 30:	Principal	Interest	Service
2020	\$ 5,449	7,664	\$ 13,113
2021	5,721	7,392	13,113
2022	6,007	7,106	13,113
2023	6,307	6,806	13,113
2024	6,623	6,490	13,113
2025-2029	38,426	27,139	65,565
2030-2034	49,041	16,523	65,564
2035-2037	37,426	3,627	41,053
	<u>\$ 155,000</u>	<u>82,747</u>	<u>\$ 237,747</u>

NMFA Loans, NMED Loans and Notes Payable

In July 2015, the City entered into another obligation contract for the purchase of a vector excavator totaling \$287,768 which matures July 1, 2020.

The following schedule details debt service requirements to maturity for the City's loans payable at June 30, 2019:

Description	Date of Issue	Due Date	Original Interest Rate	Amount of Issue
WTB 11-0110 - Espanola 11	12/11/2009	06/01/2029	2.50%	258,000
NMFA-1672-DW - Espanola 7	05/01/2005	05/01/2017	1.75%	808,000
2007 NMED	10/03/2006	12/01/2028	2.00%	6,138,344
2016 Vector Excavator Loan	07/01/2016	07/01/2020	3.50%	287,768

The annual requirements to amortize the NMFA, NMED loans and notes payable as of June 30, 2019, including interest payments, are as follows:

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Year ended June 30:	Principal	Interest	Total Debt Service
2020	\$ 584,708	170,204	\$ 754,912
2021	598,663	159,218	757,881
2022	549,523	147,718	697,241
2023	525,818	137,926	663,744
2024	525,834	128,509	654,343
2025-2029	4,774,284	688,664	5,462,948
	<u>\$ 7,558,830</u>	<u>1,432,239</u>	<u>\$ 8,991,069</u>

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, 2019.

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, 2019, 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:

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)

Deficit fund balance of individual funds

The following funds had a deficit fund balance as of June 30, 2019:

Governmental funds

High intensity drug trafficking areas	\$ (17,181)
NMLA capital improvements grant	(36,060)
NM DOT grant	(4,739)
Byrne Justice Assistance Grant	(10,186)
Total	<u>\$ (68,166)</u>

Enterprise Fund

Solid waste	<u>\$ (633,987)</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, 2019.

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, 2019.

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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Plan description (Continued)

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

**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 \$722,750 and employer paid member benefits that were “picked up” by the employer were \$494,013 for the year ended June 30, 2019.

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

Municipal General Division

At June 30, 2019, the City reported a liability of \$7,035,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the City’s proportion was 0.4413%, which was a decrease of 0.0099% from its proportion measured as of June 30, 2017.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Municipal General Division (Continued)

For the year ended June 30, 2019, the City recognized Municipal General Division pension expense of \$868,123. At June 30, 2019, the City reported Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 203,353	\$ 184,727
Changes of assumptions	637,909	40,454
Net differences between projected and actual earnings on pension plan investments	521,822	-
Changes in proportion and differences between The City contributions and proportionate share of contributions	166,915	\$ 190,515
City contributions subsequent to the measurement date	399,491	-
Total	<u>\$ 1,929,490</u>	<u>\$ 415,696</u>

\$399,491 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, 2019. 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>
2020	\$ 723,890
2021	326,219
2022	38,316
2023	25,878
2024	-
Thereafter	-
	<u>\$ 1,114,303</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Municipal Police Division

At June 30, 2019, the City reported a liability of \$2,961,883 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the City's proportion was 0.4341%, which was a decrease of 0.0522% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized Municipal Police Division pension expense of \$302,607. At June 30, 2019, 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>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 145,000	\$ 293,600
Changes of assumptions	337,955	18,107
Net differences between projected and actual earnings on pension plan investments	203,820	-
Changes in proportion and differences between The City contributions and proportionate share of contributions	123,766	\$ 233,359
The City contributions subsequent to the measurement date	180,990	-
Total	<u>\$ 991,531</u>	<u>\$ 545,066</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Municipal Police Division (Continued)

\$180,990 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, 2019. 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>
2020	\$ 221,974
2021	37,486
2022	(3,911)
2023	9,926
2024	-
Thereafter	-
	<u>\$ 265,475</u>

Municipal Fire Division

At June 30, 2019, the City reported a liability of \$3,166,390 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the City’s proportion was 0.4947%, which was a decrease of 0.0121% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized Municipal Fire Division pension expense of \$322,137. At June 30, 2019, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Municipal Fire Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 50,885	\$ 230,924
Changes of assumptions	182,869	11,562
Net differences between projected and actual earnings on pension plan investments	111,037	-
Changes in proportion and differences between The City contributions and proportionate share of contributions	14,599	\$ 61,507
The City contributions subsequent to the measurement date	142,269	-
Total	<u>\$ 501,659</u>	<u>\$ 303,993</u>

\$142,269 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, 2019. 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>
2020	\$ 76,586
2021	(32,983)
2022	6,385
2023	5,409
2024	-
Thereafter	-
	<u>\$ 55,397</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	3%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. 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, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Actuarial assumptions (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 Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	100.00%	

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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.

STATE OF NEW MEXICO
 CITY OF ESPAÑOLA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
PERA Fund Division			
Municipal General Division:			
City's proportionate share of the net pension liability	\$ 10,841,936	7,035,956	\$ 3,889,704
PERA Fund Division			
Municipal Police Division:			
City's proportionate share of the net pension liability	\$ 4,554,160	2,961,883	\$ 1,663,799
PERA Fund Division			
Municipal Fire Division:			
City's proportionate share of the net pension liability	\$ 4,226,890	3,166,390	\$ 2,297,620

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.

Payables to the pension Plan

There were no unpaid contractually required employer contributions outstanding to PERA at June 30, 2019. 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, 2019 but paid in July 2019.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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.

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, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

General Information about the OPEB (Continued)

Employees covered by benefit terms

At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State General	19,593
State Police and Corrections	1,886
Municipal General	17,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$117,136 and employer paid member benefits that were “picked up” by the employer were \$58,568 for the year ended June 30, 2019.

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the City reported a liability of \$6,037,256 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the City’s proportion was 0.13884 percent.

For the year ended June 30, 2019, the City recognized OPEB expense of \$41,478. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 357,444
Changes of assumptions	-	1,127,129
Changes in Proportion	233,657	-
Net difference between projected and actual earnings on OPEB plan investments	-	75,343
City contributions subsequent to the measurement date	117,136	-
Total	\$ 350,793	\$ 1,559,916

Deferred outflows of resources totaling \$117,136 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	Amount
2020	\$ (346,837)
2021	(346,837)
2022	(346,837)
2023	(256,571)
2024	(29,177)
Thereafter	-
	\$ (1,326,259)

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50% to 12.50%, based on years of service, including inflation.
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females), PERA members: RP-2000 Combined Healthy Mortality

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

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

Rate of Return (Continued)

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% is the blended discount rate.

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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 (3.08 percent) or 1-percentage-point higher (4.08 percent) than the current discount rate:

	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
City's proportionate share of the net OPEB liability	\$ 7,306,501	6,037,256	\$ 5,036,805

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 5,103,598	6,037,256	\$ 6,769,265

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, 2018.

Payables to the OPEB Plan

At June 30, 2019, 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, 2019**

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 \$192,500 as of June 30, 2019. 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, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 13, 2019, which is the date on which the financial statements were issued.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE 15. CONCENTRATIONS

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

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

The City adopted the following new accounting standards in the year ended June 30, 2019.

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.

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.

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND MUNICIPAL POLICE DIVISION
PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

Fiscal Year Measurement Date	June 30:				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
The City's proportion of the net pension liability (asset) (%)	0.4341%	0.4863%	0.4381%	0.4481%	0.4526%
The City's proportionate share of the net pension liability (asset) (\$)	\$ 2,961,883	2,701,716	3,232,432	2,154,716	\$ 1,475,427
The City's covered payroll	\$ 918,101	1,007,490	907,206	878,776	\$ 859,517
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	322.61%	268.16%	356.31%	245.20%	171.66%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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 FIRE DIVISION
PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

Fiscal Year Measurement Date	June 30:				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
The City's proportion of the net pension liability (asset)(%)	0.4947%	0.5068%	0.5044%	0.5109%	0.4779%
The City's proportionate share of the net pension liability (asset)(\$)	\$ 3,166,390	2,899,628	3,364,861	2,636,848	\$ 1,994,752
The City's covered payroll	\$ 630,014	615,030	610,197	581,000	\$ 544,379
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	502.59%	471.46%	551.44%	453.85%	366.43%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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 PENSION CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	June 30:				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 399,491	383,005	378,510	360,500	\$ 362,525
Contributions in relation to the contractually required contribution	<u>(399,491)</u>	<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>	<u>\$ -</u>
The City's covered payroll	\$ 4,183,152	4,010,524	3,963,449	3,801,920	\$ 3,796,076
Contributions as a percentage of covered payroll	9.55%	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.

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 EMPLOYEE RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS***

	June 30:				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 180,990	173,521	190,416	171,462	\$ 165,833
Contributions in relation to the contractually required contribution	<u>(180,990)</u>	<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>	<u>\$ -</u>
The City's covered payroll	\$ 957,619	918,101	1,007,490	907,206	\$ 907,206
Contributions as a percentage of covered payroll	18.90%	18.90%	18.90%	18.90%	18.28%

**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 EMPLOYEE RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL FIRE DIVISION
LAST 10 FISCAL YEARS***

	June 30:				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 142,269	136,398	133,154	132,108	\$ 125,909
Contributions in relation to the contractually required contribution	<u>(142,269)</u>	<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>	<u>\$ -</u>
The City's covered payroll	\$ 657,132	630,014	615,030	610,197	\$ 581,566
Contributions as a percentage of covered payroll	21.65%	21.65%	21.65%	21.65%	21.65%

**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, 2019**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. [Https://www.saonm.org](https://www.saonm.org)

Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2018 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***

Fiscal year Measurement date:	June 30:	
	2019 2018	2018 2019
The City's proportion of the net OPEB liability	0.13884%	0.13375%
The City's proportionate share of the net OPEB liability	\$ 6,037,256	\$ 6,061,113
The City's covered payroll	\$ 5,558,383	\$ 5,592,985
The City's proportionate share of the net OPEB liability as a percentage of its covered payroll	108.62%	108.37%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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 HEALTH CARE AUTHORITY PLAN
LAST 10 FISCAL YEARS***

	June 30:	
	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 117,136	\$ 118,564
Contributions in relation to the contractually required contribution	<u>(117,136)</u>	<u>(118,564)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The City's covered payroll	\$ 5,498,839	\$ 5,558,383
Contributions as a percentage of covered payroll	2.13%	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, 2019**

Changes in plan membership. As part of the June 30, 2017 NMRHCA GASB 74/75 audit, it was discovered that 4,010 members were deemed participants of non-participating employers. As a result those members were removed and thus excluded from the valuation in the year ended June 30, 2018.

Changes in OPEB assumptions and methods. The mortality, retirement, disability, turnover, and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2019**

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.

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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 OF NEW MEXICO
CITY OF ESPAÑOLA
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2019**

CAPITAL PROJECTS FUNDS (CONTINUED)

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.

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, 2019**

	Special Revenue			
	103	104	105	107
	Recreation	Teen Court	Weed and Seed Grant	Operation Buckle Down
ASSETS				
Cash and cash equivalents	\$ 584	33,034	535	\$ 158
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	-	-
Grants receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 584	33,034	535	\$ 158
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	610	-	\$ -
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	610	-	-
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	584	-	535	-
Public safety	-	32,424	-	158
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	584	32,424	535	158
Total liabilities and fund balances	\$ 584	33,034	535	\$ 158

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Special Revenue			
	109	110	111	112
	Cops in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant	Library Grant
ASSETS				
Cash and cash equivalents	\$ 40,000	-	1,598	\$ 10,890
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	1	-
Grants receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 40,000	-	1,599	\$ 10,890
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ 4,643
Bank overdraft	-	10,186	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	10,186	-	4,643
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	-	-	-	6,247
Public safety	40,000	-	1,599	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	(10,186)	-	-
Total fund balances	40,000	(10,186)	1,599	6,247
Total liabilities and fund balances	\$ 40,000	-	1,599	\$ 10,890

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Special Revenue			
	118	119	125	126
	EMS	Wildland Grant	Public Safety Grants	High Intensity Drug Trafficking Areas
ASSETS				
Cash and cash equivalents	\$ 17,946	29,915	4,917	\$ 43,695
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	-	-
Grants receivable	-	-	-	22,934
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 17,946	29,915	4,917	\$ 66,629
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,346	-	-	\$ 1,810
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	82,000
Total liabilities	1,346	-	-	83,810
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	-	29,915	-	-
Public safety	16,600	-	4,917	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	(17,181)
Total fund balances	16,600	29,915	4,917	(17,181)
Total liabilities and fund balances	\$ 17,946	29,915	4,917	\$ 66,629

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Special Revenue			
	207	210	211	212
	E-911 Grant	Roads and Streets	Law Enforcement Protection	Fire Discretionary
ASSETS				
Cash and cash equivalents	\$ 177,236	52,762	31,868	\$ 13,458
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	57,546	-	-
Grants receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	7,689	-	-
Total assets	\$ 177,236	117,997	31,868	\$ 13,458
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,882	1,082	-	\$ -
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	40,695	7,683	-	-
Total liabilities	65,577	8,765	-	-
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	109,232	-	-
Fire departments	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	111,659	-	31,868	13,458
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	111,659	109,232	31,868	13,458
Total liabilities and fund balances	\$ 177,236	117,997	31,868	\$ 13,458

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Special Revenue			
	214	215	216	217
	Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation
ASSETS				
Cash and cash equivalents	\$ 88,109	56,990	19,552	\$ 81,885
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	11,466	-	-	-
Grants receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 99,575	56,990	19,552	\$ 81,885
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ -
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	99,575	56,990	19,552	81,885
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	99,575	56,990	19,552	81,885
Total liabilities and fund balances	\$ 99,575	56,990	19,552	\$ 81,885

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Special	Capital Projects		
	Revenue			
	219	303	304	316
	NMDOT Litter Control and Beautification	NMLA Capital Improvements Grant	NM DOT Grant	Federal W/WW Project Grant
ASSETS				
Cash and cash equivalents	\$ -	80,060	13,853	\$ -
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	-	-
Grants receivable	30,157	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	105,870
Total assets	\$ 30,157	80,060	13,853	\$ 105,870
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ -
Bank overdraft	697	-	-	72,579
Accrued payroll	-	-	-	-
Due to other funds	19,180	116,120	18,592	9,459
Total liabilities	19,877	116,120	18,592	82,038
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	10,280	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	23,832
Debt service expenditures	-	-	-	-
Unassigned	-	(36,060)	(4,739)	-
Total fund balances	10,280	(36,060)	(4,739)	23,832
Total liabilities and fund balances	\$ 30,157	80,060	13,853	\$ 105,870

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Capital Projects			
	318	319	320	321
	State Water Project Grants	State Agency on Aging Grants	GRT Asset Replacement	NMFA P&L Grant
ASSETS				
Cash and cash equivalents	\$ 29,205	-	251,851	\$ -
Investments	-	-	-	-
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	-	-
Grants receivable	-	-	-	-
Other receivables	-	5,066	-	-
Due from other funds	-	-	-	-
Total assets	\$ 29,205	5,066	251,851	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ -
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	5,066	-	-
Total liabilities	-	5,066	-	-
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	29,205	-	251,851	-
Debt service expenditures	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	29,205	-	251,851	-
Total liabilities and fund balances	\$ 29,205	5,066	251,851	\$ -

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Debt Service			
	402	407	414	416
	2002 Bond Debt Service Fund	NMFA Debt Service	Trust Service Fund	NMFA PPR Equipment Project Loan
ASSETS				
Cash and cash equivalents	\$ 779,317	1,419,269	3	\$ 254,344
Investments	439,828	-	-	381,161
Taxes Receivable:				
Property tax	-	-	-	-
Gross receipts tax	-	-	-	-
Other tax	-	-	-	-
Grants receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 1,219,145	1,419,269	3	\$ 635,505
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	\$ -
Bank overdraft	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Reserved				
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Nonspendable				
Meter deposits	-	-	-	-
Spendable				
Restricted for:				
Maintenance of roads	-	-	-	-
Fire departments	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Capital projects expenditures	-	-	-	-
Debt service expenditures	1,219,145	1,419,269	3	635,505
Unassigned	-	-	-	-
Total fund balances	1,219,145	1,419,269	3	635,505
Total liabilities and fund balances	\$ 1,219,145	1,419,269	3	\$ 635,505

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Debt Service		USDA Loan/ Police Department	Total Nonmajor Governmental Funds
	<u>418</u>			
ASSETS				
Cash and cash equivalents	\$ 191	\$		3,533,225
Investments	-			820,989
Taxes Receivable:				-
Property tax	-			-
Gross receipts tax	-			-
Other tax	-			69,013
Grants receivable	-			53,091
Other receivables	-			5,066
Due from other funds	-			113,559
				<u>113,559</u>
Total assets	<u>\$ 191</u>	<u>\$</u>		<u>4,594,943</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$		34,373
Bank overdraft	-			83,462
Accrued payroll	-			-
Due to other funds	60			298,855
				<u>298,855</u>
Total liabilities	<u>60</u>			<u>416,690</u>
Fund Balances:				
Reserved				
Reserved for debt service	-			-
Reserved for capital projects	-			-
Unreserved				
Designated for subsequent year's expenditures	-			-
Nonspendable				
Meter deposits	-			-
Spendable				
Restricted for:				
Maintenance of roads	-			109,232
Fire departments	-			-
Culture and recreation	-			305,563
Public safety	-			252,683
Capital projects expenditures	-			304,888
Debt service expenditures	131			3,274,053
Unassigned	-			(68,166)
				<u>(68,166)</u>
Total fund balances	<u>131</u>			<u>4,178,253</u>
Total liabilities and fund balances	<u>\$ 191</u>	<u>\$</u>		<u>4,594,943</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	103	104	105	107
	Recreation	Teen Court	Weed and Seed Grant	Operation Buckle Down
REVENUES				
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	-	14,796	-	-
Total revenues	-	14,796	-	-
EXPENDITURES				
Current:				
General government	-	461	-	-
Public safety	-	10,101	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Administrative	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	10,562	-	-
Excess (deficiency) of revenues over expenditures	-	4,234	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	4,234	-	-
Fund balances - beginning of year	584	28,190	535	158
Fund balances - end of year	\$ 584	32,424	535	\$ 158

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Special Revenue			
	109	110	111	112
	Cops in Schools Grant	Byrne Justice Assistance Grant	Operation DWI State Grant	Library Grant
REVENUES				
Taxes				
Gross receipts	\$ -	-	-	\$ -
Gasoline and motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Lodger's tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	8,366	25,000
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	350
Total revenues	-	-	8,366	25,350
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	31,827	9,943	7,165
Public works	-	-	-	-
Culture and recreation	-	-	-	47,555
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Administrative	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	31,827	9,943	54,720
Excess (deficiency) of revenues over expenditures	-	(31,827)	(1,577)	(29,370)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(31,827)	(1,577)	(29,370)
Fund balances - beginning of year	40,000	21,641	3,176	35,617
Fund balances - end of year	\$ 40,000	(10,186)	1,599	\$ 6,247

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Special Revenue			
	118	119	125	126
	EMS	Wildland Grant	Public Safety Grants	High Intensity Drug Trafficking Areas
REVENUES				
Taxes				
Gross receipts	\$ -	-	-	\$ -
Gasoline and motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Lodger's tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	11,673	-	-	105,375
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	1,424
Total revenues	11,673	-	-	106,799
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	7,261	-	-	119,303
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Administrative	-	-	-	-
Interest	-	-	-	-
Total expenditures	7,261	-	-	119,303
Excess (deficiency) of revenues over expenditures	4,412	-	-	(12,504)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	4,412	-	-	(12,504)
Fund balances - beginning of year	12,188	29,915	4,917	(4,677)
Fund balances - end of year	\$ 16,600	29,915	4,917	\$ (17,181)

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Special Revenue			
	207	210	211	212
	E-911 Grant	Roads and Streets	Law Enforcement Protection	Fire Discretionary
REVENUES				
Taxes				
Gross receipts	\$ -	-	-	\$ -
Gasoline and motor vehicle	-	331,055	-	-
Franchise tax	-	-	-	-
Lodger's tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	750,000	-	31,999	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	4,860	-	-
Investment income	2,420	-	-	-
Miscellaneous	25,816	-	-	-
Total revenues	778,236	335,915	31,999	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	756,896	7,440	8,656	-
Public works	-	280,995	-	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	5,515	-
Debt service:				
Principal	-	-	-	-
Administrative	-	-	-	-
Interest	-	-	-	-
Total expenditures	756,896	288,435	14,171	-
Excess (deficiency) of revenues over expenditures	21,340	47,480	17,828	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	21,340	47,480	17,828	-
Fund balances - beginning of year	90,319	61,752	14,040	13,458
Fund balances - end of year	\$ 111,659	109,232	31,868	\$ 13,458

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Special Revenue			
	214	215	216	217
	Lodgers' Tax	Lodgers' Tax Promotional	Fiesta Council	U.S. Bureau of Reclamation
REVENUES				
Taxes				
Gross receipts	\$ -	-	-	\$ -
Gasoline and motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Lodger's tax	56,840	-	-	-
Intergovernmental income:	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	42,486
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	5,403	-
Total revenues	56,840	-	5,403	42,486
EXPENDITURES				
Current:				
General government	730	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	1,511	-
Capital Outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	730	-	1,511	-
Excess (deficiency) of revenues over expenditures	56,110	-	3,892	42,486
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(13,500)	-	-	-
Total other financing sources (uses)	(13,500)	-	-	-
Net change in fund balances	42,610	-	3,892	42,486
Fund balances - beginning of year	56,965	56,990	15,660	39,399
Fund balances - end of year	\$ 99,575	56,990	19,552	\$ 81,885

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Special	Capital Projects		
	Revenue			
	219	303	304	316
	NMDOT Litter Control and Beautification	NMLA Capital Improvements Grant	NM DOT Grant	Federal W/WW Project Grant
REVENUES				
Taxes				
Gross receipts	\$ -	-	-	\$ -
Gasoline and motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Lodger's tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	466,389
State operating grants	-	-	-	-
State capital grants	-	35,830	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	29,632	-	-	-
Total revenues	29,632	35,830	-	466,389
EXPENDITURES				
Current:				
General government	213	-	-	-
Public safety	3,524	-	-	-
Public works	28,453	35,829	-	57,073
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Administrative	-	-	-	-
Interest	-	-	-	-
Total expenditures	32,190	35,829	-	57,073
Excess (deficiency) of revenues over expenditures	(2,558)	1	-	409,316
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(2,558)	1	-	409,316
Fund balances - beginning of year	12,838	(36,061)	(4,739)	(385,484)
Fund balances - end of year	\$ 10,280	(36,060)	(4,739)	\$ 23,832

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Capital Projects			
	318	319	320	321
	State Water Project Grants	State Agency on Aging Grants	GRT Asset Replacement	NMFA P&L Grant
REVENUES				
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	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	48,123	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	48,123	-
Excess (deficiency) of revenues over expenditures	-	-	(48,123)	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(48,123)	-
Fund balances - beginning of year	29,205	-	299,974	-
Fund balances - end of year	\$ 29,205	-	251,851	\$ -

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Debt Service			
	402	407	414	416
	2002 Bond Debt Service Fund	NMFA Debt Service	Trust Service Fund	NMFA PPR Equipment Project Loan
REVENUES				
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	60,611	26,694	-	6,057
Miscellaneous	-	-	-	-
Total revenues	60,611	26,694	-	6,057
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	475,000	64,502	-	225,000
Administrative	3,808	369	-	-
Interest	75,821	33,340	-	57,855
Total expenditures	554,629	98,211	-	282,855
Excess (deficiency) of revenues over expenditures	(494,018)	(71,517)	-	(276,798)
Other financing sources (uses)				
Transfers in	554,629	113,587	-	288,563
Transfers out	-	-	-	-
Total other financing sources (uses)	554,629	113,587	-	288,563
Net change in fund balances	60,611	42,070	-	11,765
Fund balances - beginning of year	1,158,534	1,377,199	3	623,740
Fund balances - end of year	\$ 1,219,145	1,419,269	3	\$ 635,505

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2019**

	Debt Service <hr/> 418	USDA Loan/ Police Department <hr/>	Total Nonmajor Governmental Funds <hr/>
REVENUES			
Taxes			
Gross receipts	\$ -		\$ -
Gasoline and motor vehicle	-		331,055
Franchise tax	-		-
Lodger's tax	-		56,840
Intergovernmental income:			
Federal operating grants	-		-
Federal capital grants	-		466,389
State operating grants	-		932,413
State capital grants	-		35,830
Charges for services	-		42,486
Licenses and fees	-		4,860
Investment income	-		95,782
Miscellaneous	-		77,421
Total revenues	<hr/> -		<hr/> 2,043,076
EXPENDITURES			
Current:			
General government	-		1,404
Public safety	-		962,116
Public works	-		450,473
Culture and recreation	-		49,066
Capital Outlay	-		5,515
Debt service:			
Principal	-		764,502
Administrative	-		4,177
Interest	-		167,016
Total expenditures	<hr/> -		<hr/> 2,404,269
Excess (deficiency) of revenues over expenditures	<hr/> -		<hr/> (361,193)
Other financing sources (uses)			
Transfers in	-		956,779
Transfers out	-		(13,500)
Total other financing sources (uses)	<hr/> -		<hr/> 943,279
Net change in fund balances	-		582,086
Fund balances - beginning of year	131		3,596,167
Fund balances - end of year	<hr/> \$ 131		<hr/> \$ 4,178,253

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2019**

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks and other reconciling items	Book Balance
Century Bank					
General Fund	Checking	\$ 2,755,230	15,598	404,592	\$ 2,366,236
Fire Fund	Checking	393,138		7,330	385,808
E-911	Checking	460,093	-	-	460,093
Online Utility	Checking	5,719,745	8,289	-	5,728,034
Payroll Fund	Checking	4,067	-	10,753	(6,686)
Restricted Fund	Checking	1,840,805	-	-	1,840,805
Bond Court	Checking	56,994	-	-	56,994
Optimal Savings Account	Checking	2,977,502	-	-	2,977,502
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>14,479,942</u>	<u>23,887</u>	<u>422,675</u>	<u>14,081,154</u>
Express Bill Pay					
General Fund - Express Bill Pay	Checking	31,016	3,164	-	34,180
Total bank accounts requiring collateral		<u>14,510,958</u>	<u>27,051</u>	<u>422,675</u>	<u>14,115,334</u>
Bank accounts not subject to collateral requirements:					
Bank of Albuquerque					
Espanola Municipal Infrastructure GRT Income Fund	U.S. Treasury Mutual Fund	88,146	-	-	88,146
Espanola Municipal Infrastructure GRT Debt Service Reserve	U.S. Treasury Mutual Fund	376,126	-	-	376,126
Total Bank of Albuquerque		<u>464,272</u>	<u>-</u>	<u>-</u>	<u>464,272</u>
New Mexico Finance Authority					
Espanola 12	NMSTO	39,759	-	-	39,759
Espanola 13	NMSTO	94,824	-	-	94,824
Espanola 15	U.S. Treasury Mutual Fund	381,161	-	-	381,161
	NMSTO	450,616	-	-	450,616
	U.S. Treasury Mutual Fund	438,383	-	-	438,383
	U.S. Treasury Mutual Fund	1,445	-	-	1,445
PPRF4804	NMSTO	52,036	-	-	52,036
	U.S. Treasury Mutual Fund	396,303	-	-	396,303
	U.S. Treasury Mutual Fund	1,794,243	-	-	1,794,243
PPRF4697	NMSTO	30,236	-	-	30,236
	U.S. Treasury Mutual Fund	100,813	-	-	100,813
	U.S. Treasury Mutual Fund	1,169,480	-	-	1,169,480
Total New Mexico Finance Authority		<u>4,949,299</u>	<u>-</u>	<u>-</u>	<u>4,949,299</u>
Total		<u>\$ 19,924,529</u>	<u>27,051</u>	<u>422,675</u>	<u>19,528,905</u>
New Mexico State Treasurer Local Government Investment Pool					1,848,357
Add: petty cash					1,388
Adjust for: returned checks, cash clearing, and unidentified items					103,215
Total deposits and investments					<u>\$ 21,481,865</u>
Deposits and investments per financial statements:					
Cash and cash equivalents					\$ 15,592,540
Investments					229,368
Restricted cash and cash equivalents					4,128,311
Restricted investments					1,285,261
Fiduciary funds cash and investments					399,056
Total deposits and investments					<u>\$ 21,634,536</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
June 30, 2019**

Account Name	Century Bank	Xpress Bill Pay*	Total
Total amount of deposit in bank	\$ 14,510,958	31,016	\$ 14,541,974
FDIC coverage	(250,000)	-	(250,000)
Total uninsured public funds	14,260,958	31,016	14,291,974
 Pledged collateral held by the pledging bank's trust department or agent but not in the City's name	 7,507,952	 -	 7,507,952
 Uninsured and uncollateralized	 \$ 6,753,006	 31,016	 \$ 6,784,022
 50% of Collateral Requirement (Section 6-10-17 NMSA 1978)	 \$ 7,130,479	 -	 \$ 7,130,479
 Total pledged collateral	 7,507,952	 -	 7,507,952
 Pledged collateral in excess of (below) requirement	 \$ 377,473	 -	 \$ 377,473

Institution / Security	Maturity	CUSIP Number	Fair Market Value at 30-Jun-19
Century Bank			
Albuquerque NM Muni School	8/01/2035	ETK336344	\$ 1,234,990
Ft Lewis College	10/01/2036	W170324000	917,895
NMFA	6/15/2025	ETK333333	539,228
Orlando Fla Utils Comm	10/01/2038	W181024000	1,530,337
Osceola Cnty Fla Sates Tax Rev	10/01/2031	W151125000	1,164,550
Peace River/Manasota Regl Wtr Supply Auth Fla	10/10/2035	W151125000	1,296,460
San Miguel Cnty NM Gross Recpt	6/1/2020	34968	428,765
Santa FE NM	8/1/2026	34973	395,727
 Total Pledged Collateral			 \$ 7,507,952

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.

STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2019

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019
Assets				
<i>Judicial:</i>				
Cash	\$ (3,725)	14,157	(28,676)	\$ (18,244)
Accounts receivable	3,346	15,811	-	19,157
Assets	<u>\$ (379)</u>	<u>29,968</u>	<u>(28,676)</u>	<u>\$ 913</u>
<i>Municipal Court:</i>				
Cash	\$ (748)	-	-	\$ (748)
Assets	<u>\$ (748)</u>	<u>-</u>	<u>-</u>	<u>\$ (748)</u>
<i>Bond:</i>				
Cash	\$ 70,613	31,903	(31,934)	\$ 70,582
Assets	<u>\$ 70,613</u>	<u>31,903</u>	<u>(31,934)</u>	<u>\$ 70,582</u>
<i>Utility Deposit Trust:</i>				
Cash	\$ 319,289	12,984	(35,050)	\$ 297,223
Investments	43,000	-	-	43,000
Accounts Receivable	586	-	-	586
Assets	<u>\$ 362,875</u>	<u>12,984</u>	<u>(35,050)</u>	<u>\$ 340,809</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>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND
LIABILITIES (CONTINUED)
For the Year Ended June 30, 2019**

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019
Assets				
<i>Fire Donations:</i>				
Cash	\$ 1,145	-	-	\$ 1,145
Assets	<u>\$ 1,145</u>	<u>-</u>	<u>-</u>	<u>\$ 1,145</u>
<i>Espanola Beautification:</i>				
Cash	\$ 4,984	-	-	\$ 4,984
Assets	<u>\$ 4,984</u>	<u>-</u>	<u>-</u>	<u>\$ 4,984</u>
<i>Forfeiture:</i>				
Cash	\$ 967	-	-	\$ 967
Assets	<u>\$ 967</u>	<u>-</u>	<u>-</u>	<u>\$ 967</u>
Total assets	<u>\$ 439,604</u>	<u>74,855</u>	<u>(95,660)</u>	<u>\$ 418,799</u>
Liabilities				
Bond deposits payable	\$ 70,072	61,871	(95,660)	\$ 36,283
Due to other entities	<u>369,532</u>	<u>12,984</u>	<u>-</u>	<u>382,516</u>
Assets	<u>\$ 439,604</u>	<u>74,855</u>	<u>(95,660)</u>	<u>\$ 418,799</u>

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF JOINT POWER AGREEMENTS
For the Year Ended June 30, 2019**

<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 Village of Chama Ohkay Owingeh Jicarilla Apache Nation County of Rio Arriba	Espanola/Rio Arriba E-911 Communications 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 County of Los Alamos Santa Fe County Rio Arriba County Pueblo of San Ildefonso Ohkay Owingeh Pueblo of Santa Clara Pueblo of Tesuque 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

STATE OF NEW MEXICO
 CITY OF ESPAÑOLA
 SCHEDULE OF JOINT POWER AGREEMENTS (CONTINUED)
 For the Year Ended June 30, 2019

<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

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF APPROPRIATIONS
Year Ended June 30, 2019**

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

COMPLIANCE SECTION



Service plus value, it all adds up.

1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

Brian S. Colòn, Esq., State Auditor
and
To the City Manager and City Commission
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 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 2018-004 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.

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 2019-001 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
December 13, 2019

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

SECTION 1 – SUMMARY OF AUDITOR RESULTS

Type of report issued:	Unmodified
Internal Controls over Financial Reporting:	
Material weaknesses reported?	No
Significant deficiencies reported?	No
Noncompliance material to the financial statements noted?	No

SECTION 2 - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

SECTION 3 - CURRENT YEAR FINDINGS AND RESPONSES

None

SCHEDULE OF PRIOR YEAR FINDINGS

2018-001 Controls Over Cash Disbursements (Significant Deficiency) – Resolved
2018-002 Accounts Receivable Accounting (Material Weakness) – Resolved
2018-003 Capital Asset Accounting (Material Weakness) – Resolved
2018-005 Financial Report And Closing (Material Weakness) – Modified and Repeated
2018-006 Compliance With Fuel Card Activity (Other Noncompliance) – Resolved
2018-007 Late Audit (Other Noncompliance) – Resolved

CURRENT YEAR FINDINGS

Financial Statement Findings

2018-005 Financial Close and Reporting

Findings in Accordance with 2.2.2 NMAC

2018-008 Pledged Collateral (Other Noncompliance) – Resolved
2019-001 PERA & RHC wages (Other Noncompliance) – New

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2018-005 FINANCIAL CLOSE AND REPORTING (MATERIAL WEAKNESS) –
REPEATED AND MODIFIED**

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 fund balance, long-term debt and various accrual accounts resulting in subsequent adjustments to the trial balance totaling \$1,061,299.

Although management made progress in this area, as noted above, there are still areas that need improvement.

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.

RECOMMENDATION

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, 2020

RESPONSIBLE OFFICIAL

Administrative Services Director

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

2019-001 PERA & RHC WAGES (OTHER NON-COMPLIANCE) – New

CONDITION

Based on testwork performed over PERA & RHC wages, it was identified that the total wages incorrectly calculated by \$327,408 for PERA and \$679,793 for RHC, result in miscalculation in \$39,290 for PERA and approximately \$4,400 for RHC employer contribution.

CRITERIA

Pursuant to Section 10-11-2 NMSA 1978, "salary" means the base salary or wages paid a member, including longevity pay, for personal services rendered an affiliated public employer. "Salary" shall not include overtime pay, allowances for housing, clothing, equipment or travel, payments for unused sick leave, unless the unused sick leave payment is made through continuation of the member on the regular payroll for the period represented by that payment, and any other form of remuneration not specifically designated by law as included in salary for Public Employees Retirement Act purposes.

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.

RECOMMENDATION

The City should familiarize themselves with payroll system and reconciliation procedures, and ensure salary remitted for PERA and RHC matches payroll register. Recommend the City to issue a protocol for possible reimbursement.

MANAGEMENT RESPONSE:

The City has performed a recalculation of salary for each pay period for Fiscal Year 2019 to finalize the liabilities, and a reconciliation to adjust employee/employer contributions to accurate categories. Payroll Specialist will compare reports generated by Caselle to ensure balancing of accounts. The City will ensure payroll reconciliations.

TIMELINE TO CORRECT

June 30, 2020

RESPONSIBLE OFFICIAL

Administrative Services Director & Payroll Specialist

**STATE OF NEW MEXICO
CITY OF ESPAÑOLA
EXIT CONFERENCE
For the Year Ended June 30, 2019**

EXIT CONFERENCE

An exit conference was held on December 13, 2019, to discuss the annual financial report. Attending were the following:

Representing the City of Española New Mexico:

Javier E. Sanchez	Mayor
Peggy Sue Martinez	Councilor
Xavier Martinez	City Manager (Interim)
Jessica Ortiz	Administrative Services Director
Diahann Jacquez	Grants Manager
Steven Trujillo	Water Operations Supervisor

Representing the Independent Auditor:

Mike Easley, Audit Supervisor

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.