



State of
New Mexico
City of Raton

Annual Financial Report
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

City of Raton
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June 30, 2017

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STATE OF NEW MEXICO

City of Raton
Official Roster
June 30, 2017

| <u>Name</u> | <u>City Commission</u> | <u>Title</u> |
|------------------------|------------------------|---------------|
| Sandra Mantz | | Mayor |
| James Neil Segotta, Jr | | Mayor Pro-Tem |
| Donald Giacomo | | Commissioner |
| Ronald Chavez | | Commissioner |
| Linde Schuster | | Commissioner |

Administrative Officials

| | |
|------------------------|----------------|
| Scott Berry | City Manager |
| Michael Anne Antonucci | City Treasurer |
| Tricia Garcia | City Clerk |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson
New Mexico State Auditor
City Commission
City of Raton
Raton, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of City of Raton (the City), as of and for the year ended June 30, 2017, 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 misstatement, 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 of 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 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Raton, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund 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 that Schedules I and II, and the notes to the required supplementary information on pages 64 to 70 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 financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and Schedules III through VI required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and Schedules III through VI required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 fund financial statements and Schedules III through VI required by 2.2.2 NMAC 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 14, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
December 14, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Raton
Statement of Net Position
June 30, 2017

| | Primary Government | | | Component Unit |
|---------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------|---------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 2,942,315 | \$ 4,163,916 | \$ 7,106,231 | \$ 1,085,469 |
| Investments | 229,700 | 101,949 | 331,649 | - |
| Receivables: | | | | |
| Property taxes | 144,943 | - | 144,943 | - |
| Accounts receivable, net | - | 527,539 | 527,539 | 753,434 |
| Other taxes | 718,627 | 189,620 | 908,247 | - |
| Due from other governments | 183,683 | 6,121 | 189,804 | - |
| Prepaid expense | - | - | - | 7,594 |
| Inventory | - | 223,543 | 223,543 | 795,502 |
| Total current assets | 4,219,268 | 5,212,688 | 9,431,956 | 2,641,999 |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents: | | | | |
| Debt service and other reserve requirements | 79,443 | 902,394 | 981,837 | 4,930,636 |
| Unspent loan proceeds | - | 48,683 | 48,683 | - |
| Unspent loan proceeds - investments | - | 481,540 | 481,540 | - |
| Meter deposits | - | 104,948 | 104,948 | 174,786 |
| Closure and postclosure care | - | 253,725 | 253,725 | - |
| Investments | 431,622 | - | 431,622 | - |
| Capital assets | 40,616,012 | 36,905,789 | 77,521,801 | 24,149,625 |
| Less: accumulated depreciation | (18,514,895) | (18,184,475) | (36,699,370) | (10,411,216) |
| Total noncurrent assets | 22,612,182 | 20,512,604 | 43,124,786 | 18,843,831 |
| Deferred outflows | | | | |
| Employer contributions subsequent to the measurement date | 326,631 | 107,909 | 434,540 | 75,430 |
| Changes in proportion | 227,952 | 78,190 | 306,142 | 25,759 |
| Changes of assumptions | 401,517 | 141,899 | 543,416 | 89,281 |
| Net difference between projected and actual investment earnings on pension plan investments | 982,490 | 352,135 | 1,334,625 | 280,151 |
| Differences between expected and actual experience | 374,024 | 129,151 | 503,175 | 76,074 |
| Total deferred outflows | 2,312,614 | 809,284 | 3,121,898 | 546,695 |
| Total assets and deferred outflows | \$ 29,144,064 | \$ 26,534,576 | \$ 55,678,640 | \$ 22,032,525 |

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

| | Primary Government | | | Component Unit |
|---------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------|---------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 12,375 | \$ 70,602 | \$ 82,977 | \$ 338,488 |
| Accrued payroll | 92,356 | 44,275 | 136,631 | 8,677 |
| Accrued interest | 19,258 | 32,425 | 51,683 | 37,929 |
| Meter deposits | - | 104,948 | 104,948 | 174,786 |
| Accrued compensated absences | 89,565 | 60,849 | 150,414 | 63,021 |
| Bonds and loans payable | 265,383 | 408,366 | 673,749 | 379,693 |
| Total current liabilities | <u>478,937</u> | <u>721,465</u> | <u>1,200,402</u> | <u>1,002,594</u> |
| Noncurrent liabilities | | | | |
| Accrued compensated absences | 217,091 | 119,280 | 336,371 | 108,478 |
| Estimated landfill liability for closure and postclosure care costs | - | 1,031,334 | 1,031,334 | - |
| Bonds and loans payable | 3,993,500 | 3,337,554 | 7,331,054 | 4,485,118 |
| Net pension liability | 6,928,759 | 2,339,250 | 9,268,009 | 1,522,574 |
| Total noncurrent liabilities | <u>11,139,350</u> | <u>6,827,418</u> | <u>17,966,768</u> | <u>6,116,170</u> |
| <i>Total liabilities</i> | <u>11,618,287</u> | <u>7,548,883</u> | <u>19,167,170</u> | <u>7,118,764</u> |
| Deferred inflows | | | | |
| Net difference between actual and projected investment earnings on pension plan investments | - | - | - | 1,580 |
| Differences between expected and actual experience | 27,959 | 9,696 | 37,655 | 14,860 |
| Changes in assumptions | 29,836 | 12,746 | 42,582 | 253 |
| <i>Total deferred inflows</i> | <u>57,795</u> | <u>22,442</u> | <u>80,237</u> | <u>16,693</u> |
| Net position | | | | |
| Net investment in capital assets | 17,842,234 | 15,505,617 | 33,347,851 | 8,873,598 |
| Restricted for: | | | | |
| Debt service and other reserve requirements | 511,065 | 902,394 | 1,413,459 | 5,105,422 |
| Capital projects | 511,105 | - | 511,105 | - |
| Special revenue | 663,646 | - | 663,646 | - |
| Unrestricted | <u>(2,060,068)</u> | <u>2,555,240</u> | <u>495,172</u> | <u>918,048</u> |
| <i>Total net position</i> | <u>17,467,982</u> | <u>18,963,251</u> | <u>36,431,233</u> | <u>14,897,068</u> |
| <i>Total liabilities, deferred inflows, and net position</i> | <u>\$ 29,144,064</u> | <u>\$ 26,534,576</u> | <u>\$ 55,678,640</u> | <u>\$ 22,032,525</u> |

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

STATE OF NEW MEXICO
City of Raton
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|-----------------------------|-------------------------------------------|-----------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,351,644 | \$ 104,520 | \$ 199,931 | \$ - |
| Public safety | 4,920,104 | 629,818 | 863,880 | - |
| Public works | 552,884 | - | 602,754 | 1,225,489 |
| Culture and recreation | 1,120,197 | 82,485 | 19,046 | - |
| Health and welfare | 86,426 | - | 16,817 | - |
| Interest and other charges | 209,084 | - | - | - |
| <i>Total governmental activities</i> | <u>8,240,339</u> | <u>816,823</u> | <u>1,702,428</u> | <u>1,225,489</u> |
| Business-type activities: | | | | |
| Water and sewer | 3,382,318 | 2,154,990 | - | 92,521 |
| Sanitation | 1,252,068 | 1,250,997 | 18,000 | 11,168 |
| <i>Total business-type activities</i> | <u>4,634,386</u> | <u>3,405,987</u> | <u>18,000</u> | <u>103,689</u> |
| <i>Total primary government</i> | <u>\$ 12,874,725</u> | <u>\$ 4,222,810</u> | <u>\$ 1,720,428</u> | <u>\$ 1,329,178</u> |
| Component unit: | | | | |
| Raton Public Service | <u>\$ 6,214,978</u> | <u>\$ 6,261,557</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues and reversions to other governments:

- Taxes
- Investment income
- Miscellaneous income
- Reversions to other governments
- Transfers

Total general revenues and reversions to other governments

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Unit |
|--------------------------------|---------------------------------|----------------------|-----------------------------|
| Governmental Activities | Business-Type Activities | Total | Raton Public Service |
| \$ (1,047,193) | \$ - | \$ (1,047,193) | \$ - |
| (3,426,406) | - | (3,426,406) | - |
| 1,275,359 | - | 1,275,359 | - |
| (1,018,666) | - | (1,018,666) | - |
| (69,609) | - | (69,609) | - |
| (209,084) | - | (209,084) | - |
| <u>(4,495,599)</u> | <u>-</u> | <u>(4,495,599)</u> | <u>-</u> |
| - | (1,134,807) | (1,134,807) | - |
| - | 28,097 | 28,097 | - |
| - | <u>(1,106,710)</u> | <u>(1,106,710)</u> | <u>-</u> |
| (4,495,599) | (1,106,710) | (5,602,309) | - |
| - | - | - | 46,579 |
| 4,526,427 | 1,245,488 | 5,771,915 | - |
| 27,153 | 25,926 | 53,079 | 56,362 |
| 115,570 | 57,587 | 173,157 | - |
| (2,937) | - | (2,937) | - |
| (85,918) | 85,918 | - | - |
| <u>4,580,295</u> | <u>1,414,919</u> | <u>5,995,214</u> | <u>56,362</u> |
| 84,696 | 308,209 | 392,905 | 102,941 |
| <u>17,383,286</u> | <u>18,655,042</u> | <u>36,038,328</u> | <u>14,794,127</u> |
| <u>\$ 17,467,982</u> | <u>\$ 18,963,251</u> | <u>\$ 36,431,233</u> | <u>\$ 14,897,068</u> |

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

STATE OF NEW MEXICO
City of Raton
Balance Sheet
Governmental Funds
June 30, 2017

Exhibit B-1
Page 1 of 2

| | General Fund | Other Governmental Funds | Total |
|------------------------------------------------------------------------------------|---------------------|-----------------------------------------|--------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,829,686 | \$ 1,183,474 | 3,013,160 |
| Investments | - | 661,322 | 661,322 |
| Receivables: | | | |
| Property taxes | 144,943 | - | 144,943 |
| Other taxes | 487,845 | 230,782 | 718,627 |
| Due from other governments | 7,247 | 176,436 | 183,683 |
| <i>Total assets</i> | \$ 2,469,721 | \$ 2,252,014 | \$ 4,721,735 |
| Liabilities, deferred inflows of resources, and fund balances | | | |
| <i>Liabilities</i> | | | |
| Accounts payable | \$ 9,145 | \$ 3,230 | \$ 12,375 |
| Accrued payroll | 87,179 | 5,177 | 92,356 |
| <i>Total liabilities</i> | 96,324 | 8,407 | 104,731 |
| <i>Deferred inflows of resources</i> | | | |
| Unavailable revenue - property taxes | 101,098 | - | 101,098 |
| <i>Total deferred inflows of resources</i> | 101,098 | - | 101,098 |
| <i>Fund balances</i> | | | |
| <i>Spendable:</i> | | | |
| <i>Restricted for:</i> | | | |
| Public safety | - | 330,823 | 330,823 |
| Culture and recreation | - | 273,089 | 273,089 |
| Health and welfare | - | 59,734 | 59,734 |
| Capital acquisitions and improvements | - | 1,068,856 | 1,068,856 |
| Debt service | - | 511,105 | 511,105 |
| <i>Committed for:</i> | | | |
| Minimum fund balance | 393,620 | - | 393,620 |
| Unassigned | 1,878,679 | - | 1,878,679 |
| <i>Total fund balances</i> | 2,272,299 | 2,243,607 | 4,515,906 |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | \$ 2,469,721 | \$ 2,252,014 | \$ 4,721,735 |

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

STATE OF NEW MEXICO

City of Raton

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit B-1

Page 2 of 2

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

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Fund balances - total governmental funds | \$ 4,515,906 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds | 22,101,117 |
| Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities | 101,098 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds: | |
| Deferred outflows of resources related to employer contributions subsequent to the measurement date | 326,631 |
| Deferred outflows of resources related to changes in proportion | 227,952 |
| Deferred outflows of resources related to changes of assumptions | 401,517 |
| Deferred onflows of resources related to the net difference between actual and projected investment earnings on pension plan investments | 982,490 |
| Deferred outflows of resources related to differences between expected and actual experience | 374,024 |
| Deferred outflows of resources related to changes in experience | (27,959) |
| Deferred inflows of resources related to changes of assumptions | (29,836) |
| The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | 8,598 |
| Some liabilities, including bonds payable, the net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Accrued compensated absences | (306,656) |
| Accrued interest payable | (19,258) |
| Bonds and loans payable | (4,258,883) |
| Net pension liability | (6,928,759) |
| <i>Total net position - governmental activities</i> | <u><u>\$ 17,467,982</u></u> |

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

STATE OF NEW MEXICO

Exhibit B-2

City of Raton

Page 1 of 2

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

| | General Fund | Other Governmental Funds | Total |
|----------------------------------------------------------|---------------------|-----------------------------------------|---------------------|
| <i>Revenues</i> | | | |
| Taxes | \$ 3,714,561 | \$ 819,415 | \$ 4,533,976 |
| Intergovernmental revenue: | | | |
| Federal operating grants | 222 | 134,764 | 134,986 |
| State operating grants | 224,137 | 1,343,305 | 1,567,442 |
| Federal capital grants | - | 491,831 | 491,831 |
| State capital grants | - | 733,658 | 733,658 |
| Charges for services | 664,518 | 85,642 | 750,160 |
| License and fees | 27,907 | 11,400 | 39,307 |
| Fines and forfeits | 27,356 | - | 27,356 |
| Investment income | 8,969 | 18,184 | 27,153 |
| Miscellaneous | 92,665 | 22,905 | 115,570 |
| <i>Total revenues</i> | <u>4,760,335</u> | <u>3,661,104</u> | <u>8,421,439</u> |
| <i>Expenditures</i> | | | |
| Current: | | | |
| General government | 848,446 | 140,650 | 989,096 |
| Public safety | 3,323,771 | 503,030 | 3,826,801 |
| Public works | 34,985 | 510,257 | 545,242 |
| Culture and recreation | 205,622 | 625,803 | 831,425 |
| Health and welfare | - | 86,426 | 86,426 |
| Capital outlay | - | 1,148,944 | 1,148,944 |
| Debt service: | | | |
| Principal | - | 518,583 | 518,583 |
| Interest | - | 210,160 | 210,160 |
| <i>Total expenditures</i> | <u>4,412,824</u> | <u>3,743,853</u> | <u>8,156,677</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>347,511</u> | <u>(82,749)</u> | <u>264,762</u> |
| <i>Other financing sources (uses)</i> | | | |
| Proceeds from the sale of inventoriable assets | - | 6,547 | 6,547 |
| Reversion to other governments | - | (2,937) | (2,937) |
| Transfers in | 467,269 | 1,528,627 | 1,995,896 |
| Transfers (out) | (442,818) | (1,638,996) | (2,081,814) |
| <i>Total other financing sources (uses)</i> | <u>24,451</u> | <u>(106,759)</u> | <u>(82,308)</u> |
| <i>Net change in fund balances</i> | <u>371,962</u> | <u>(189,508)</u> | <u>182,454</u> |
| <i>Fund balances - beginning</i> | <u>1,900,337</u> | <u>2,433,115</u> | <u>4,333,452</u> |
| <i>Fund balances - end of year</i> | <u>\$ 2,272,299</u> | <u>\$ 2,243,607</u> | <u>\$ 4,515,906</u> |

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

STATE OF NEW MEXICO

City of Raton

Exhibit B-2

Page 2 of 2

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, 2017

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

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Net change in fund balances - total governmental funds | \$ 182,454 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | |
| Capital outlay | 1,148,944 |
| Depreciation expense | (1,383,367) |
| Book value of disposed assets | (8,122) |
| 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 | (7,549) |
| The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position: | |
| Decrease in accrued compensated absences | 213,165 |
| Increase in accrued interest | (1,076) |
| Principal payments on bonds and loans payable | 518,583 |
| The internal service fund is used by management to charge the costs of certain activities, such as insurance to the individual funds. The net expense of the internal service fund is reported with governmental activities. | 2,321 |
| Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense: | |
| City pension contributions | 326,631 |
| Pension expense | (907,288) |
| <i>Change in net position of governmental activities</i> | <u>\$ 84,696</u> |

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

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STATE OF NEW MEXICO

Exhibit C-1

City of Raton

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|-------------------------------------------------------------------------------|--------------------|------------------|---------------------|-----------------------------------------------|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes: | | | | |
| Property taxes | \$ 664,445 | \$ 664,445 | \$ 615,819 | \$ (48,626) |
| Gross receipts | 2,795,659 | 2,795,659 | 2,913,087 | 117,428 |
| Gasoline and motor vehicle | 14,000 | 14,000 | 13,191 | (809) |
| Franchise tax | 203,000 | 203,000 | 180,644 | (22,356) |
| Intergovernmental income: | | | | |
| Federal operating grants | - | - | 222 | 222 |
| State operating grants | 252,160 | 252,160 | 229,582 | (22,578) |
| Charges for services | 575,600 | 574,100 | 664,518 | 90,418 |
| Licenses and fees | 25,300 | 25,300 | 27,907 | 2,607 |
| Fines and forfeitures | 32,000 | 32,000 | 25,979 | (6,021) |
| Investment income | 1,050 | 1,050 | 8,969 | 7,919 |
| Miscellaneous | 43,150 | 43,150 | 92,665 | 49,515 |
| <i>Total revenues</i> | <u>4,606,364</u> | <u>4,604,864</u> | <u>4,772,583</u> | <u>167,719</u> |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | 5,315,293 | 937,976 | 849,563 | 88,413 |
| Public safety | 4,564,476 | 3,410,176 | 3,330,399 | 79,777 |
| Public works | 128,421 | 163,421 | 34,985 | 128,436 |
| Culture and recreation | 211,758 | 211,871 | 205,736 | 6,135 |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| <i>Total expenditures</i> | <u>10,219,948</u> | <u>4,723,444</u> | <u>4,420,683</u> | <u>302,761</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(5,613,584)</u> | <u>(118,580)</u> | <u>351,900</u> | <u>470,480</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted increase in cash) | 5,673,584 | (134,425) | - | 134,425 |
| Transfers in | (2,000) | 363,940 | 467,269 | 103,329 |
| Transfers (out) | (58,000) | (110,935) | (442,818) | (331,883) |
| <i>Total other financing sources (uses)</i> | <u>5,613,584</u> | <u>118,580</u> | <u>24,451</u> | <u>(94,129)</u> |
| <i>Net change in fund balance</i> | - | - | 376,351 | 376,351 |
| <i>Fund balances - beginning of year</i> | - | - | 1,453,335 | 1,453,335 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,829,686</u> | <u>\$ 1,829,686</u> |
| Net change in fund balance (non-GAAP budgetary basis) | | | | \$ 376,351 |
| Adjustments to revenues for taxes and state operating grants. | | | | (17,509) |
| Adjustments to expenditures for salaries, professional services and supplies. | | | | 13,120 |
| <i>Net change in fund balance (GAAP basis)</i> | | | | <u>\$ 371,962</u> |

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

STATE OF NEW MEXICO
City of Raton
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-Type Activities - Enterprise Funds | | | Proprietary Activities |
|---------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------|----------------------|-----------------------------------|
| | Water and Sewer | Sanitation | Total | Insurance Reserve |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,598,105 | \$ 565,811 | \$ 4,163,916 | \$ 8,598 |
| Investments | - | 101,949 | 101,949 | - |
| Accounts receivable, net | 404,275 | 123,264 | 527,539 | - |
| Other taxes | 189,620 | - | 189,620 | - |
| Due from other governments | 6,121 | - | 6,121 | - |
| Inventory | 223,543 | - | 223,543 | - |
| Total current assets | 4,421,664 | 791,024 | 5,212,688 | 8,598 |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | | | | |
| Debt service | 899,490 | 2,904 | 902,394 | - |
| Unspent loan proceeds | - | 48,683 | 48,683 | - |
| Unspent loan proceeds - investments | - | 481,540 | 481,540 | - |
| Meter deposits | 104,948 | - | 104,948 | - |
| Closure and postclosure care | - | 253,725 | 253,725 | - |
| Capital assets | 35,047,304 | 1,858,485 | 36,905,789 | - |
| Accumulated depreciation | (16,695,647) | (1,488,828) | (18,184,475) | - |
| Total noncurrent assets | 19,356,095 | 1,156,509 | 20,512,604 | - |
| Deferred outflows of resources | | | | |
| Employer contributions subsequent to the measurement date | | | | |
| Change in proportion | 72,136 | 35,773 | 107,909 | - |
| Change in assumptions | 52,070 | 26,120 | 78,190 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 96,779 | 45,120 | 141,899 | - |
| Difference between expected and actual experience | 237,428 | 114,707 | 352,135 | - |
| | 87,391 | 41,760 | 129,151 | - |
| Total deferred outflows of resources | 545,804 | 263,480 | 809,284 | - |
| Total assets and deferred outflows of resources | \$ 24,323,563 | \$ 2,211,013 | \$ 26,534,576 | \$ 8,598 |

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

| | Business-Type Activities - Enterprise Funds | | | Proprietary |
|------------------------------------------------------------------------|----------------------------------------------------|-------------------|---------------|---------------------------------------------|
| | Water and Sewer | Sanitation | Total | Activities Insurance Reserve |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 63,169 | \$ 7,433 | \$ 70,602 | \$ - |
| Accrued payroll expenses | 28,734 | 15,541 | 44,275 | - |
| Accrued interest | 30,585 | 1,840 | 32,425 | - |
| Meter deposits | 104,948 | - | 104,948 | - |
| Accrued compensated absences | 44,744 | 16,105 | 60,849 | - |
| Bonds and loans payable | 306,666 | 101,700 | 408,366 | - |
| Total current liabilities | 578,846 | 142,619 | 721,465 | - |
| Noncurrent liabilities | | | | |
| Accrued compensated absences | 79,555 | 39,725 | 119,280 | - |
| Estimated landfill liability for closure and postclosure care costs | - | 1,031,334 | 1,031,334 | - |
| Bonds and loans payable | 2,798,154 | 539,400 | 3,337,554 | - |
| Net pension liability | 1,571,725 | 767,525 | 2,339,250 | - |
| Total noncurrent liabilities | 4,449,434 | 2,377,984 | 6,827,418 | - |
| <i>Total liabilities</i> | 5,028,280 | 2,520,603 | 7,548,883 | - |
| Deferred inflows of resources | | | | |
| Difference between expected and actual experience | 6,628 | 3,068 | 9,696 | - |
| Change in assumption | 8,462 | 4,284 | 12,746 | - |
| <i>Total deferred inflows of resources</i> | 15,090 | 7,352 | 22,442 | - |
| Net Position | | | | |
| Net investment in capital assets | 15,246,837 | 258,780 | 15,505,617 | - |
| Restricted for debt service | 899,490 | 2,904 | 902,394 | - |
| Unrestricted | 3,133,866 | (578,626) | 2,555,240 | 8,598 |
| <i>Total net position</i> | 19,280,193 | (316,942) | 18,963,251 | 8,598 |
| <i>Total liabilities, deferred inflows, and net position</i> | \$ 24,323,563 | \$ 2,211,013 | \$ 26,534,576 | \$ 8,598 |

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

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STATE OF NEW MEXICO
City of Raton
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit D-2

| | Business-Type Activities - Enterprise Funds | | | Proprietary Activities |
|---------------------------------------------------------|----------------------------------------------------|---------------------|----------------------|-----------------------------------|
| | Water and Sewer | Sanitation | Total | Insurance Reserve |
| <i>Operating revenues</i> | | | | |
| Charges for services | \$ 2,154,990 | 1,250,997 | \$ 3,405,987 | 1,001,900 |
| <i>Total operating revenues</i> | <u>2,154,990</u> | <u>1,250,997</u> | <u>3,405,987</u> | <u>1,001,900</u> |
| <i>Operating expenses</i> | | | | |
| Personnel services | 1,345,165 | 814,793 | 2,159,958 | - |
| Travel and per diem | 28,530 | - | 28,530 | - |
| Training | 2,455 | - | 2,455 | - |
| Utilities | 128,133 | 234,593 | 362,726 | - |
| Contractual | 27,009 | 29,772 | 56,781 | - |
| Supplies | 199,876 | 2,010 | 201,886 | - |
| Repairs and maintenance | 39,761 | 29,605 | 69,366 | - |
| Telephone | 181,339 | - | 181,339 | - |
| Franchise fee | 166,220 | - | 166,220 | - |
| Insurances | 43,753 | - | 43,753 | 999,655 |
| Dues and subscriptions | 11,916 | - | 11,916 | - |
| Other operating | 68,422 | 23,158 | 91,580 | - |
| Gross receipts taxes | - | 69,558 | 69,558 | - |
| Depreciation | 993,890 | 36,033 | 1,029,923 | - |
| <i>Total operating expenses</i> | <u>3,236,469</u> | <u>1,239,522</u> | <u>4,475,991</u> | <u>999,655</u> |
| <i>Operating income (loss)</i> | <u>(1,081,479)</u> | <u>11,475</u> | <u>(1,070,004)</u> | <u>2,245</u> |
| <i>Non-operating revenues (expenses)</i> | | | | |
| Interest expense | (145,849) | (12,546) | (158,395) | - |
| Gross receipts taxes | 1,245,488 | - | 1,245,488 | - |
| Investment income | 25,379 | 547 | 25,926 | 50 |
| Miscellaneous income | 57,587 | - | 57,587 | 26 |
| <i>Total non-operating revenues (expenses)</i> | <u>1,182,605</u> | <u>(11,999)</u> | <u>1,170,606</u> | <u>76</u> |
| <i>Income (loss) before contributions and transfers</i> | <u>101,126</u> | <u>(524)</u> | <u>100,602</u> | <u>2,321</u> |
| Operating grants | - | 18,000 | 18,000 | - |
| Capital grants | 92,521 | 11,168 | 103,689 | - |
| Transfers in | - | 277,120 | 277,120 | - |
| Transfers out | - | (191,202) | (191,202) | - |
| <i>Change in net position</i> | <u>193,647</u> | <u>114,562</u> | <u>308,209</u> | <u>2,321</u> |
| <i>Total net position, beginning</i> | <u>19,086,546</u> | <u>(431,504)</u> | <u>18,655,042</u> | <u>6,277</u> |
| <i>Total net position, end of year</i> | <u>\$ 19,280,193</u> | <u>\$ (316,942)</u> | <u>\$ 18,963,251</u> | <u>\$ 8,598</u> |

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

STATE OF NEW MEXICO
City of Raton
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

| | Business-Type Activities - Enterprise Funds | | | Proprietary |
|--------------------------------------------------------------------|----------------------------------------------------|-------------------|---------------------|--------------------|
| | Water and | | | Activities |
| | Sewer | Sanitation | Total | Insurance |
| | | | | Reserve |
| <i>Cash flows from operating activities</i> | | | | |
| Cash received from user charges | \$ 2,242,143 | \$ 1,362,826 | \$ 3,604,969 | \$ 1,001,900 |
| Cash payments to employees for services | (1,256,019) | (767,935) | (2,023,954) | - |
| Cash payments to suppliers for goods and services | (915,851) | (388,957) | (1,304,808) | (999,655) |
| <i>Net cash (used) provided by operating activities</i> | <u>70,273</u> | <u>205,934</u> | <u>276,207</u> | <u>2,245</u> |
| <i>Cash flows from noncapital financing activities</i> | | | | |
| Gross receipts taxes | 1,260,728 | - | 1,260,728 | - |
| Transfer of cash from Waste Water Treatment fund | - | - | - | - |
| Operating grant | - | 18,000 | - | - |
| Transfers | - | 85,918 | 85,918 | - |
| Miscellaneous income | 57,587 | - | 57,587 | 26 |
| <i>Net cash provided (used) by noncapital financing activities</i> | <u>1,318,315</u> | <u>103,918</u> | <u>1,404,233</u> | <u>26</u> |
| <i>Cash flows from investing activities</i> | | | | |
| Purchase of investments | - | (583,489) | (583,489) | - |
| Investment income | 25,379 | 547 | 25,926 | 50 |
| <i>Net cash provided by investing activities</i> | <u>25,379</u> | <u>(582,942)</u> | <u>(557,563)</u> | <u>50</u> |
| <i>Cash flows from capital and related financing activities</i> | | | | |
| Interest paid | (153,868) | (13,685) | (167,553) | - |
| Capital grants | 120,105 | 10,870 | 130,975 | - |
| Acquisition and construction of capital assets | (976,423) | - | (976,423) | - |
| Cash payments for landfill closure and postclosure care costs | - | (277,119) | (277,119) | - |
| Principal payments on bonds and loans payable | (419,726) | (100,500) | (520,226) | - |
| <i>Net cash (used) by capital and related financing activities</i> | <u>(1,429,912)</u> | <u>(380,434)</u> | <u>(1,810,346)</u> | <u>-</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | (15,945) | (653,524) | (687,469) | 2,321 |
| <i>Cash and cash equivalents - beginning of year</i> | <u>4,618,488</u> | <u>1,524,647</u> | <u>6,143,135</u> | <u>6,277</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 4,602,543</u> | <u>\$ 871,123</u> | <u>\$ 5,455,666</u> | <u>\$ 8,598</u> |
| <i>Cash per Exhibit D-1</i> | | | | |
| Cash and cash equivalents | \$ 3,598,105 | \$ 565,811 | \$ 4,163,916 | \$ 8,598 |
| Debt service | 899,490 | 2,904 | 902,394 | - |
| Unspent loan proceeds | - | 48,683 | 48,683 | - |
| Meter deposits | 104,948 | - | 104,948 | - |
| Closure and postclosure care | - | 253,725 | 253,725 | - |
| <i>Total cash per Exhibit D-1</i> | <u>\$ 4,602,543</u> | <u>\$ 871,123</u> | <u>\$ 5,473,666</u> | <u>\$ 8,598</u> |

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

| | Business-Type Activities - Enterprise Funds | | | Proprietary |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------|-------------------|---------------------------------------------|
| | Water and Sewer | Sanitation | Total | Activities Insurance Reserve |
| <i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i> | | | | |
| Operating income (loss) | \$ (1,081,479) | \$ 11,475 | \$ (1,070,004) | \$ 2,245 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 993,890 | 36,033 | 1,029,923 | - |
| Noncash pension expense | 137,832 | 64,107 | 201,939 | - |
| Changes in assets and liabilities: | | | | |
| Receivables | 87,153 | 111,829 | 198,982 | - |
| Inventory | - | - | - | - |
| Employer contributions subsequent to the meas | 322 | 149 | 471 | - |
| Accounts payable | (18,832) | (261) | (19,093) | - |
| Accrued payroll expenses | 3,438 | 1,405 | 4,843 | - |
| Accrued compensated absences | (52,446) | (18,803) | (71,249) | - |
| Meter deposits | 395 | - | 395 | - |
| <i>Net cash (used) provided by operating activities</i> | <u>\$ 70,273</u> | <u>\$ 205,934</u> | <u>\$ 276,207</u> | <u>\$ 2,245</u> |

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

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STATE OF NEW MEXICO

Exhibit E-1

City of Raton
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

| | |
|----------------------------|------------------|
| <i>Current Assets</i> | |
| Cash and cash equivalents | \$ 16,745 |
| <i>Total assets</i> | <u>\$ 16,745</u> |
| | |
| <i>Current Liabilities</i> | |
| Due to others | \$ 16,745 |
| <i>Total liabilities</i> | <u>\$ 16,745</u> |

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

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STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The City of Raton (the City) was incorporated in April 28, 1891. The City operates under a Commission Manager form of government and provides the following services as authorized by its charter: public safety, (fire, emergency service and ambulance), police, highways and street, public utilities (water, sewer, electric and sanitation), health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services.

The City 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 the municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

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

During the year ended June 30, 2017, the City adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial)*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, NO. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the City, as its pension plan is within the scope of Statement 68.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the City's financial statements directly; however, the effects on the City's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The City was not affected by any tax abatements. Implementation of this standard is June 30, 2017.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The City's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB Statement Nos. 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

A. Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61 and No. 80.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Unit

Raton Public Service Company (Company): The physical assets of the Raton Public Service Company's Utility System are the property of the City of Raton. The management of the Utility System rests with the Raton Public Service Company (Company) a New Mexico Corporation, pursuant to a franchise contract, Ordinance No. 731, amended by Ordinance No. 942 of the City of Raton. Under the terms of ordinance 942, the City Commission sets, fixes and determines the rate schedules, charges and rate classifications pertaining to all services to be rendered by the Company. All of the Company's financing is provided by the City through the issuance of municipal revenue bonds. For this reason the Company is considered a component unit. Various bond reserves are established by the terms of the City's bond ordinances. The Company is managed by a board of five directors, three of whom are elected by the Trustees and two of whom are members of the City Commission. Raton Public Service Company issues a separate, publicly, available financial report that includes a full set of financial statements, note disclosures, required supplementary information, and additional supplementary information. That report may be obtained by writing to Raton Public Service Company, 334 North Second Street, Raton, NM 87740.

B. Government-wide and fund financial statements

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

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

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

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 are reported as separate columns in the fund financial statements.

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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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 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 of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer 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 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.

The Water and Sewer proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Sanitation funds are charges to the customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses with the capital grants that reported below nonoperating revenues and expenses in the statement of revenues, expenses and changes in net position.

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.

Under the requirements of GASB Statement No. 34, the City is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following.

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. The General Fund includes the Revolving Loan Fund that is maintained as a separate fund for accounting and budgetary purposes but does not meet the criteria for separate reporting in the financial statement.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City also reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer services to the residents of the City of Raton. All activities necessary to provide such series are accounted for in this fund.

The *Sanitation Fund* is used to account for garbage and refuse removal services to the residents of City of Raton. All activities necessary to provide such services including capital projects and debt service are accounted for in this fund. Previously the Sanitation Project Fund was reported as a separate enterprise fund but was eliminated at the beginning of the fiscal year, and the accounts were consolidated into the Sanitation Fund. Also during the year, the NFMA Loan Sanitation Fund used to account for debt service related to Sanitation loan was closed and the accounts were consolidated into the Sanitation Fund.

This fund includes the NMFA Loan Sanitation Fund (412) used to accumulate monies for the repayment of the loan received from NMFA. The City has pledged net revenues of the Sanitation Fund. The City authorized the issuance pursuant to City Ordinance No. 982 adopted on April 23, 2013. This fund was eliminated during fiscal year 2015 and the related accounts were consolidated into the Sanitation Fund.

The City also reports the following internal service fund:

The *Insurance Reserve Fund* is used to account for monies spent on health, vision, dental, life/disability and COBRA insurance for the City's departments and enterprise funds. The share of the premium will be billed individually to each department by the City.

Additionally, the government reports the following fiduciary funds:

Agency funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are used to account for resources held by the City on behalf of others. This includes Municipal Court and Fines Fund which accounts for court bonds that are not posted. The Charity Fund is used to account for donations received from the Raton Fire Department Annual Toys for Tots drive. The funds are deposits and held in trust until used to purchase toys for under privileged children for Christmas. Additionally, the City receives 10% of the revenues generated from the Coca Cola Machine in the City Hall building. These funds are held in trust and used for employee recognition.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity

Deposits: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

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.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectable amounts.

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 May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st. Accounts receivable based on historical analysis are deemed to be 100% collectible.

Inventory: The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Restricted Assets: Restricted assets consist of those funds expendable for debt service purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental 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. It is the policy of the City to not capitalize computer software. Donated assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Asset Category | Years |
|-------------------------|--------------|
| Buildings | 40 |
| Furniture and equipment | 15 |
| Improvements | 20 |
| Vehicles | 8-10 |
| Land Improvements | 20 |
| Infrastructure | 20-50 |

Accrued Payroll: Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, along with accruals for applicable PERA, FICA, and Medicare payable.

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. The City typically has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, unavailable revenue - property taxes is typically reported only in the governmental funds balance sheet. The property tax receivable from Colfax County totaled \$144,943 as of June 30, 2017. The uncollected amount 60 days after June 30, 2017 totaled \$101,098 and is considered unavailable revenue. Consequently the City has reported the amount as a deferred inflow at June 30, 2017. In addition, the City has two types of items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual experience \$37,655 and change in assumptions of \$42,582, are reported on the Statement of Net Position. These amounts are reported as deferred inflows and amortized into pension expense over the average remaining service life of employees.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has five types of items that qualify for reporting in this category in both the governmental and business-type activities. Accordingly, the first item - employer contributions subsequent to measurement date has been reported as a deferred outflow of resources in the amount of \$434,540. This amount is reported in the Statement of Net Position. This amount will directly reduce the net pension liability in the next fiscal year.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The other four items related to changes of assumptions at \$543,416, changes in proportion at \$306,142, difference between expected and actual experience at \$503,175, and the net differences between projected and actual investment earnings at \$1,334,625. These amounts are amortized into pension expense over the average remaining service life of employees.

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

Compensated Absences: Qualified employees are entitled to earn annual leave according to a graduated leave schedule depending on length of service. A maximum of 2 years' accrual of annual leave may be carried forward into the beginning of the 12-month period following the employees' anniversary date. If an employee has accrued 2 years of leave and earns additional leave, the additional leave earned must be used during the year that it was earned or it will be lost. Any unused leave in excess of 2 years' accrual will be lost on the employees' anniversary date. Upon termination an employee will be compensated accrued annual leave as of the date of termination, up to a maximum of 2-years accrual. The following table shows the graduated accrual amounts per month based on the employee's length of service.

| | <u>Leave Accrual Per Month</u> | |
|--------------------------|-------------------------------------------------------|-----------------------------|
| | <u>Supervisory and Professional Employees</u> | <u>Non- supervisors</u> |
| Years of Service: | | |
| Up to 5 years | 10 hours | 9 hours |
| 5 to 10 years | 12 hours | 11 hours |
| 10 to 20 years | 14 hours | 13 hours |
| 20 years and over | 15 hours | 13 hours |

Qualified employees are entitled to earn sick leave. Eight hours of sick leave is accrued for each complete calendar month of service. The maximum accrual of sick leave is 40 work days. Accrued sick leave is lost upon termination. Sick leave accrued in excess of 40 work days may be cashed in at the ratio of 1 hour's pay for 2 hours of sick leave. Upon retirement, supervisory and unclassified personnel may convert 100% of unused sick leave to early retirement and nonsupervisory personnel may convert 60% of unused sick leave towards early retirement.

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 enterprise fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund or enterprise fund depending the employee's job classification. 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.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. For bonds issued after GASB Statement No. 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. For fund financial reporting, bond premiums, discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as other financing sources during the period issued.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Commission. The formal action that is required to be taken to establish a fund balance commitment is the City Commission action through ordinance or resolution.

For assigned fund balance, the City Commission or an official or body to which the City Commission 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.

When expenditures are occurred for purposes for which amounts in any of the spendable fund balance classification could be used, it is the City's policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

Nonspendable Fund Balance: At June 30, 2017, the City had no nonspendable fund balance categorized in the governmental funds balance sheet.

Restricted Fund Balance: At June 30, 2017, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$2,243,607 for various City programs and operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. This is also a required reserve by DFA - LGD. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th of the General Fund final budgeted expenditures. At June 30, 2017, the City reported \$393,620 in minimum fund balance.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

- a. Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City had \$48,683 and \$481,540 in cash and investments respectively, related to unspent loan proceeds at June 30, 2017.
- b. Restricted Net Position: Net position is reported as restricted when constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue, debt service, and capital projects” are described on pages 36-37 and 75-77.
- c. Unrestricted Net Position: Net position that does not meet the definition of “restricted” or “investment in capital assets.”

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 for the City are management’s estimate of depreciation on assets over their estimated useful lives, the current portion of accrued compensated absences, and the estimated landfill liability for closure and postclosure care costs cost recorded in the City’s Sanitation fund. Actuarial estimates are included in the calculation of net pension liability and related pension amounts.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to July 1 and must be approved by resolution of the City Commissioners, 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 Commissioners 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 at the fund level.

Governmental 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.

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.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The budgetary information presented in these financial statements has been properly amended by City Council in accordance with the above procedures. These amendments resulted in the following changes:

| | Excess (deficiency) of | |
|--------------------------|-----------------------------------|---------------|
| | revenues over expenditures | |
| | Original | Final |
| | Budget | Budget |
| General Fund | \$ (5,613,584) | \$ (118,580) |
| Other Governmental Funds | \$ 14,557,531 | \$ 697,157 |
| | Changes in net position | |
| Water and Wastewater | \$ 3,768,500 | \$ 3,768,500 |
| Sanitation | \$ 262,763 | \$ 71,140 |

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. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

All of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$8,068,415 of the City's bank balance of \$9,068,415 was exposed to custodial credit risk. No amounts were uninsured and uncollateralized.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

| | International Bank | First National Bank of New Mexico | Total |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------|---------------------|
| Amount of deposits | \$ 2,952,596 | \$ 6,115,819 | \$ 9,068,415 |
| FDIC coverage | (500,000) | (500,000) | (1,000,000) |
| Total uninsured public funds | <u>2,452,596</u> | <u>5,615,819</u> | <u>8,068,415</u> |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name | 2,452,596 | 5,615,819 | 8,068,415 |
| Uninsured and uncollateralized | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Collateral requirements (50% of uninsured funds) | 1,226,298 | 2,807,910 | 4,034,208 |
| Pledged Collateral | 3,315,824 | 4,526,224 | 7,842,048 |
| Over (Under) collateralized | <u>\$ 2,089,526</u> | <u>\$ 1,718,315</u> | <u>\$ 3,807,841</u> |

The collateral pledged is listed on Schedule IV of this report. The types of collateral are limited to direct obligations of the United States Government and bonds issued by any agency, district, or political subdivision of the State of New Mexico.

The New Mexico Finance Authority (NMFA) holds and invests cash related to debt service and reserve requirements on behalf of the City and in the City's name pursuant to the loan agreements. NMFA invest the amounts in U.S. Treasuries and U.S. Agency Securities which have a AAA rating at June 30, 2017 and a weighted average maturity of less than 365 days.

Reconciliation of Cash and Cash Equivalents

| | |
|-------------------------------------------------------|------------------|
| Cash and cash equivalents per Exhibit A-1 | \$ 7,106,231 |
| Investments per Exhibit A-1 | 331,649 |
| Restricted cash and investments for: | |
| Debt service per Exhibit A-1 | 981,837 |
| Unspent loan proceeds per Exhibit A-1 | 48,683 |
| Unspent loan proceeds - investments per Exhibit A-1 | 481,540 |
| Investments per Exhibit A-1 | 431,622 |
| Meter deposits per Exhibit A-1 | 104,948 |
| Closure and postclosure care per Exhibit A-1 | 253,725 |
| Agency funds cash per Exhibit E-1 | <u>16,745</u> |
| Total cash and cash equivalents | <u>9,756,980</u> |
| Add: outstanding checks | 1,248,376 |
| Less: deposits in transit | (767,972) |
| Less: New Mexico State Treasurer Debt Service | (1,015,111) |
| Less: U.S. agencies and treasury notes held with NMFA | <u>(153,206)</u> |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

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, 2017, the City's investment in the New Mexico LGIP was rated as AAAM by Standard & Poor's.

Additionally, the City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

The City's investments at June 30, 2017 include the following:

| <u>Investments</u> | <u>Rated</u> | <u>Weighted Average Maturity</u> | <u>Fair Value</u> |
|-----------------------------------------|--------------|--------------------------------------|---------------------|
| U.S. Treasury Money Market Mutual Funds | Aaa ** | >365 Days | \$ 1,015,111 |
| | | | <u>\$ 1,015,111</u> |

** Based on Moody's rating

Fair Value Measurement

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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NOTE 3. Deposits and Investments (continued)

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

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

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2017:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------------------|----------------|----------------|----------------|--------------|
| U.S. Treasury Money Market Mutual Funds | \$ 1,015,111 | \$ - | \$ - | \$ 1,015,111 |

NOTE 4. Receivables

Receivables as of June 30, 2017, are as follows:

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------|-------------------|-----------------------------------------|---------------------|
| Property taxes | \$ 144,943 | \$ - | \$ 144,943 |
| Other taxes: | | | |
| Gross receipts taxes | 464,660 | 134,259 | 598,919 |
| Franchise taxes | 20,857 | - | 20,857 |
| Gasoline and oil taxes | 2,328 | 28,803 | 31,131 |
| Lodgers taxes | - | 67,720 | 67,720 |
| Due from other governments: | | | |
| State | 7,247 | 707 | 7,954 |
| Federal | - | 175,729 | 175,729 |
| Totals | <u>\$ 640,035</u> | <u>\$ 407,218</u> | <u>\$ 1,047,253</u> |

All of the above receivables are deemed to be fully collectible.

| | <u>Water and Sewer</u> | <u>Sanitation</u> | <u>Total</u> |
|--------------------------------------|----------------------------|-------------------|-------------------|
| Utility fees | \$ 430,413 | \$ 123,264 | \$ 553,677 |
| Allowance for uncollectible accounts | (26,138) | - | (26,138) |
| Taxes: | | | |
| Gross receipts taxes | 189,620 | - | 189,620 |
| Due from state governments | 6,121 | - | 6,121 |
| Totals | <u>\$ 600,016</u> | <u>\$ 123,264</u> | <u>\$ 723,280</u> |

STATE OF NEW MEXICO
City of Raton
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NOTE 5. Interfund Receivables, Payables, and Transfers

At June 30, 2017, the City did not report any interfund receivables or payables. Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------------------|----------------------------------|---------------------|
| General Fund | Fire Grant | \$ 5,000 |
| General Fund | Lodgers' Tax 2% Capital Projects | 34,000 |
| General Fund | Library Grant Fund | 1,578 |
| General Fund | Juvenile Justice Grant | 14,344 |
| General Fund | Historic Building | 27,247 |
| General Fund | Depot Improvement Project | 343,427 |
| General Fund | Sanitation | 41,673 |
| Recreation Fund | General Fund | 45,000 |
| Recreation Fund | Swim Pool Rec Cap Assets | 10,000 |
| Lodger's Tax 2% Capital Project | Lodger's Tax Fund | 244,268 |
| Lodger's Tax 2% Capital Project | NMFA Loan Welcome Center | 121 |
| Emergency Medical Services | Fire Grants | 8,000 |
| Police Grants | General Fund | 8,056 |
| Library Grant Fund | General Fund | 5,000 |
| Environmental GRT Fund | Sanitation | 149,529 |
| Juvenile Justice Grant | General Fund | 7,954 |
| Airport Capital | General Fund | 176,808 |
| Depot Improvement Project | General Fund | 200,000 |
| NMFA Fire Loan | Fire Protection Fund | 82,031 |
| NMFA Loan Welcome Center | Lodger's Tax 2% Capital Projects | 39,577 |
| Recreation Fund | Swim Pool Rec Cap Assets | 358,992 |
| Aquatic Center | Swim Pool Rec Cap Assets | 172,626 |
| Water Trust Boards | Water Capital | 12,041 |
| NMFAWTB Fire | Water Capital | 91,495 |
| NMFA Loan Police Vehicles | Law Enforcement Fund | 20,665 |
| Solid Waste | Environmental GRT | 277,120 |
| | | <u>\$ 2,376,552</u> |

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City of Raton
Notes to the Financial Statements
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NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2017. Land, Artwork and Construction in Progress are not subject to depreciation.

Governmental Activities:

| | <u>Balance June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2017</u> |
|---------------------------------------|----------------------------------|---------------------|---------------------|------------------|----------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 685,779 | \$ - | \$ - | \$ - | \$ 685,779 |
| Artwork | 713,750 | - | - | - | 713,750 |
| Construction in progress | 1,405,057 | 548,541 | (1,941,279) | - | 12,319 |
| | <u>2,804,586</u> | <u>548,541</u> | <u>(1,941,279)</u> | <u>-</u> | <u>1,411,848</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 16,162,033 | 1,226,767 | - | - | 17,388,800 |
| Furniture and equipment | 1,646,467 | - | (10,368) | 39,427 | 1,675,526 |
| Improvements | 14,949,782 | 1,127,098 | - | (49,974) | 16,026,906 |
| Vehicles | 3,875,141 | 187,817 | - | 49,974 | 4,112,932 |
| | <u>36,633,423</u> | <u>2,541,682</u> | <u>(10,368)</u> | <u>39,427</u> | <u>39,204,164</u> |
| Total capital assets | <u>39,438,009</u> | <u>3,090,223</u> | <u>(1,951,647)</u> | <u>39,427</u> | <u>40,616,012</u> |
| Accumulated depreciation: | | | | | |
| Buildings | (4,597,555) | (491,173) | - | - | (5,088,728) |
| Furniture and equipment | (1,379,036) | (49,857) | 2,246 | (39,427) | (1,466,074) |
| Improvements | (7,844,810) | (658,204) | - | - | (8,503,014) |
| Vehicles | (3,272,946) | (184,133) | - | - | (3,457,079) |
| Total accumulated depreciation | <u>(17,094,347)</u> | <u>(1,383,367)</u> | <u>2,246</u> | <u>(39,427)</u> | <u>(18,514,895)</u> |
| Total capital assets, net | <u>\$ 22,343,662</u> | <u>\$ 1,706,856</u> | <u>\$ 1,949,401</u> | <u>\$ -</u> | <u>\$ 22,101,117</u> |

Depreciation expense for the year ended June 30, 2017 was charged to the functions of the governmental activities as follows:

| | |
|------------------------|---------------------|
| General government | \$ 511,342 |
| Public safety | 601,657 |
| Culture and recreation | 262,726 |
| Public Works | 7,642 |
| Total | <u>\$ 1,383,367</u> |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets (continued)

Business-type Activities:

| | Balance | | | | Balance |
|---------------------------------------|----------------------|--------------------|---------------------|------------------|----------------------|
| | June 30, 2016 | Additions | Deletions | Transfers | June 30, 2017 |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,213,303 | \$ 5,063 | \$ - | \$ - | \$ 1,218,366 |
| Construction in progress | 1,784,664 | 728,577 | (687,228) | - | 1,826,013 |
| | <u>2,997,967</u> | <u>733,640</u> | <u>(687,228)</u> | <u>-</u> | <u>3,044,379</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 185,000 | - | - | - | 185,000 |
| Equipment | 2,632,053 | 21,081 | (64,483) | - | 2,588,651 |
| Land improvements | 2,039,024 | 911,906 | - | - | 2,950,930 |
| Vehicles | 557,997 | 33,403 | - | 33,403 | 591,400 |
| Infrastructure | 27,545,429 | - | - | - | 27,545,429 |
| | <u>32,959,503</u> | <u>966,390</u> | <u>(64,483)</u> | <u>33,403</u> | <u>33,861,410</u> |
| Total capital assets | <u>35,957,470</u> | <u>1,700,030</u> | <u>(751,711)</u> | <u>33,403</u> | <u>36,905,789</u> |
| Accumulated depreciation: | | | | | |
| Buildings | (95,198) | (6,440) | - | - | (101,638) |
| Equipment | (2,076,400) | (86,524) | 63,183 | - | (2,099,741) |
| Land improvements | (360,416) | (106,409) | - | - | (466,825) |
| Vehicles | (548,387) | (1,152) | - | (33,403) | (582,942) |
| Infrastructure | (14,103,931) | (829,398) | - | - | (14,933,329) |
| Total accumulated depreciation | <u>(17,184,332)</u> | <u>(1,029,923)</u> | <u>63,183</u> | <u>(33,403)</u> | <u>(18,184,475)</u> |
| Total capital assets, net | <u>\$ 18,773,138</u> | <u>\$ 670,107</u> | <u>\$ (688,528)</u> | <u>\$ -</u> | <u>\$ 18,721,314</u> |

Depreciation expense for business-type activities is reported in the following funds on the statement of revenues, expenses, and changes in net position (Exhibit D-2):

| | |
|-----------------|---------------------|
| Water and Sewer | \$ 993,890 |
| Sanitation | 36,033 |
| Total | <u>\$ 1,029,923</u> |

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City of Raton
Notes to the Financial Statements
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NOTE 7. Long-term Debt

During the year ended June 30, 2017, the following changes occurred in long-term liabilities as follows.

Governmental Activities

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------|----------------------------------------|-------------------|--------------------|----------------------------------------|--------------------------------------|
| Loans | \$ 4,777,466 | \$ - | \$ 518,583 | \$ 4,258,883 | \$ 265,383 |
| Compensated absences | 519,821 | 210,639 | 423,804 | 306,656 | 89,565 |
| Total long-term debt | <u>\$ 5,297,287</u> | <u>\$ 210,639</u> | <u>\$ 942,387</u> | <u>\$ 4,565,539</u> | <u>\$ 354,948</u> |

Loans outstanding for governmental activities at June 30, 2017 consisted of the following loans.

| <u>Description</u> | <u>Date of</u> <u>Issue</u> | <u>Maturity</u> <u>Date</u> | <u>Interest</u> <u>Rate</u> | <u>Original</u> <u>Amount</u> <u>of Issue</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Pledged</u> <u>Revenues</u> |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------------------------|----------------------------------------|-----------------------------------|
| NMFA-Recreation Center Loan | 4/20/2007 | 5/1/2032 | 3.68% | \$ 3,248,772 | \$ 2,015,845 | Gross receipts taxes |
| NMFA-Aquatics Center Loan | 1/16/2009 | 5/1/2033 | 3.32% | 2,410,000 | 1,935,000 | Gross receipts taxes |
| NMFA-Fire Equipment Loan | 11/1/2010 | 5/1/2021 | 2.43% | 643,750 | 308,038 | Fire protection revenues |

The annual requirements to amortize the loans payable for governmental activities as of June 30, 2017, including interest payments are as follows:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt</u> <u>Service</u> |
|----------------------------------------------|---------------------|-------------------|-------------------------------------|
| 2018 | \$ 265,383 | \$ 105,250 | \$ 370,633 |
| 2019 | 271,427 | 99,026 | 370,453 |
| 2020 | 282,889 | 92,382 | 375,271 |
| 2021 | 290,055 | 85,178 | 375,233 |
| 2022 | 220,180 | 80,607 | 300,787 |
| 2023-2027 | 1,276,165 | 324,324 | 1,600,489 |
| 2028-2032 | 1,307,784 | 126,377 | 1,434,161 |
| 2033-2038 | 345,000 | 9,505 | 354,505 |
| | <u>\$ 4,258,883</u> | <u>\$ 922,649</u> | <u>\$ 5,181,532</u> |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

Business-type Activities

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------------------------------------------------|----------------------------------------|-------------------|---------------------|----------------------------------------|--------------------------------------|
| Bonds | \$ 3,354,067 | \$ - | \$ 288,211 | \$ 3,065,856 | \$ 301,325 |
| Loans | 912,079 | - | 232,015 | 680,064 | 107,041 |
| Estimated landfill liability for closure and postclosure care costs | 1,308,454 | - | 277,120 | 1,031,334 | - |
| Compensated absences | 251,378 | 148,464 | 219,713 | 180,129 | 60,849 |
| Total long-term debt | \$ 5,825,978 | \$ 148,464 | \$ 1,017,059 | \$ 4,957,383 | \$ 469,215 |

Bonds and loans outstanding for business-type activities at June 30, 2017 consisted of the following bonds and loans.

| <u>Description</u> | <u>Issue</u> | <u>Date</u> | <u>Rate</u> | <u>of Issue</u> | <u>June 30, 2017</u> | <u>Revenues</u> |
|-------------------------------------------------|--------------|-------------|-------------|-----------------|----------------------|-----------------------------------------|
| Bonds 2006A | 4/18/2006 | 4/18/2046 | 4.38% | \$ 2,627,154 | \$ 2,267,154 | Water and wastewater system revenues |
| Bonds 2006B | 4/18/2006 | 4/18/2046 | 4.38% | 510,440 | 443,440 | Water and wastewater system revenues |
| Bonds GRT Bonds Series 1982 | 3/16/1982 | 1/1/2022 | 5.00% | 4,550,000 | 355,262 | Water and wastewater system revenues |
| NMFA-Solid Waste Equipment Loan | 5/31/2013 | 5/1/2024 | 1.15% | 1,036,400 | 641,100 | Sanitation revenues |
| NMED Waster Water Facility Construction Loan | 5/2/2011 | 10/18/2030 | 2.00% | 115,247 | 38,964 | Water and wastewater system revenues |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the bonds payable for business-type activities as of June 30, 2017, including interest payments are as follows:

| <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Service</u> |
|------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 301,325 | \$ 130,731 | \$ 432,056 |
| 2019 | 149,937 | 117,828 | 267,765 |
| 2020 | 48,000 | 114,500 | 162,500 |
| 2021 | 59,000 | 538,100 | 597,100 |
| 2022 | 59,000 | 462,800 | 521,800 |
| 2023-2027 | 333,000 | 372,400 | 705,400 |
| 2028-2032 | 405,000 | 263,700 | 668,700 |
| 2033-2038 | 501,000 | 128,000 | 629,000 |
| 2039-2044 | 612,000 | 6,600 | 618,600 |
| 2045-2050 | 597,594 | - | 597,594 |
| | <u>\$ 3,065,856</u> | <u>\$ 2,134,659</u> | <u>\$ 5,200,515</u> |

The annual requirements to amortize the loans payable for business-type activities as of June 30, 2017, including interest payments are as follows:

| <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Service</u> |
|------------------------|-------------------|------------------|-------------------|
| 2018 | \$ 107,042 | \$ 9,844 | \$ 116,886 |
| 2019 | 109,048 | 8,837 | 117,885 |
| 2020 | 88,657 | 7,661 | 96,318 |
| 2021 | 90,469 | 6,578 | 97,047 |
| 2022 | 92,682 | 5,374 | 98,056 |
| 2023-2027 | 192,166 | 7,462 | 199,628 |
| | <u>\$ 680,064</u> | <u>\$ 45,756</u> | <u>\$ 725,820</u> |

Compensated Absences

Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$213,165 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
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NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The City is a member and is insured through the New Mexico Self-insurer's fund. The pools are authorized by agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978.

The City has not filed any claims for which the settlement amount exceeds the insurance coverage in any preceding years. However, should a claim be filed against the Authority 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-Insurances Fund assesses and estimates the potential for loss. At June 30, 2016 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurances.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. There were no funds that had deficit fund balances as of June 30, 2017.
- B. There were no funds that had excess expenditures over appropriations at June 30, 2017.
- C. There were no funds that had designated cash appropriations in excess of available balances at June 30, 2017.

NOTE 10. Pension Plan - Public Employees Retirement Association

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CAFR_12.22.2016_FINAL-with-corrections.pdf.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

Contributions. The contribution requirements of defined benefit plan members and the City of Raton are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY16 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR.12.22.2016.FINAL-with-corrections.pdf>

The PERA coverage options that apply to City of Raton are: Municipal General Division, Municipal Police Division and Municipal Fire Division. Statutorily required contributions to the pension plan from the City of Raton were \$434,540 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. City of Raton's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal General Division, at June 30, 2017, City of Raton reported a liability of \$3,858,358 for its proportionate share of the net pension liability. At June 30, 2016, City of Raton's proportion was 0.2415 percent, which was an increase from its proportion measured as of June 30, 2015 of 0.0051 percent.

For the year ended June 30, 2017, City of Raton recognized PERA Fund Municipal General Division pension expense of \$364,738. At June 30, 2017, City of Raton reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Changes in proportion | \$ 125,017 | \$ - |
| Differences between expected and actual experience | 192,780 | 37,655 |
| Net difference between projected and actual earnings on pension plan investments | 709,930 | - |
| Changes of assumption | 226,245 | 640 |
| City of Raton's contributions subsequent to the measurement date | 201,731 | - |
| Total | \$ 1,455,703 | \$ 38,295 |

\$201,730 reported as deferred outflows of resources related to pensions resulting from City of Raton's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2018 | \$ (288,849) |
| 2019 | (288,849) |
| 2020 | (457,175) |
| 2021 | (180,802) |
| Thereafter | - |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal Police Division, at June 30, 2017, City of Raton reported a liability of \$2,325,640 for its proportionate share of the net pension liability. At June 30, 2016, City of Raton's proportion was 0.3152 percent, which was increase from its proportion measured as of June 30, 2016 of 0.0019 percent.

For the year ended June 30, 2017, City of Raton recognized PERA Fund Municipal Police Division pension expense of \$94,297. At June 30, 2017, City of Raton reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Changes in proportion | \$ 29,950 | \$ - |
| Differences between expected and actual experience | 170,736 | - |
| Net difference between projected and actual earnings on pension plan investments | 367,813 | - |
| Changes of assumption | 154,037 | 41,942 |
| City of Raton's contributions subsequent to the measurement date | 114,649 | - |
| Total | \$ 837,185 | \$ 41,942 |

\$114,649 reported as deferred outflows of resources related to pensions resulting from City of Raton's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|--------------|
| 2018 | \$ (167,898) |
| 2019 | (167,898) |
| 2020 | (250,501) |
| 2021 | (94,297) |
| Thereafter | - |

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal Fire Division, at June 30, 2017, City of Raton reported a liability of \$3,084,011 for its proportionate share of the net pension liability. At June 30, 2016, City of Raton's proportion was 0.4623 percent, which was an increase from its proportion measured as of June 30, 2015 of 0.0187 percent.

For the year ended June 30, 2017, City of Raton recognized PERA Fund Municipal Fire Division pension expense of \$68,529. At June 30, 2017, City of Raton reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Changes in proportion | \$ 151,175 | \$ - |
| Differences between expected and actual experience | 139,659 | - |
| Net difference between projected and actual earnings on pension plan investments | 256,882 | - |
| Changes of assumption | 163,132 | - |
| City of Raton's contributions subsequent to the measurement date | 118,160 | - |
| Total | <u>\$ 829,008</u> | <u>\$ -</u> |

\$118,160 reported as deferred outflows of resources related to pensions resulting from City of Raton's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|--------------|
| 2018 | \$ (214,249) |
| 2019 | (214,249) |
| 2020 | (213,821) |
| 2021 | (68,529) |
| Thereafter | - |

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

| | |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial validation date | June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, open |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| Investment of return | 7.48% annual rate, net of investment experience |
| Projected benefit payment | 100 years |
| Payroll growth | 2.75% for the first 10 years, then 3.25% all other years |
| Projected salary increases | 2.75% to 14.25% annual rate |
| Includes inflation at | 2.25% annual rate first 10 years, 2.75% all other years |
| Mortality assumption | RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and disabled retirees before retirement age) with projection to 2018 using scale AA |
| Experience study dates | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic) |

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

| All Funds - Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|----------------------|-------------------------------------------|
| Global Equity | 43.50% | 7.39% |
| Risk Reduction and Mitigation | 21.50 | 1.79 |
| Credit Oriented Fixed Income | 15.00 | 5.77 |
| Real Assets | 20.00 | 7.35 |
| Total | 100.00% | |

Discount rate: The discount rate used to measure the total pension liability was 7.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

General Information about the Pension Plan (continued)

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present City of Raton's net pension liability in each PERA Fund Division that City of Raton participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

| | 1% Decrease (6.48%) | Current Discount Rate (7.48%) | 1% Increase (8.48%) |
|------------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| PERA Fund Municipal General Division | | | |
| City of Raton's proportionate share of the net pension liability | \$ 5,752,468 | \$ 3,858,358 | \$ 2,287,287 |
| PERA Fund Municipal Police Division | | | |
| City of Raton's proportionate share of the net pension liability | \$ 3,421,593 | \$ 2,325,640 | \$ 1,429,278 |
| PERA Fund Municipal Fire Division | | | |
| City of Raton's proportionate share of the net pension liability | \$ 4,033,870 | \$ 3,084,011 | \$ 2,303,800 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

Payables to the pension plan. There were no amounts owed to PERA at June 30, 2017. 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 rendered as of June 30, 2017 but paid in July 2017.

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

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

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$73,484, \$72,983, and \$69,542, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 12. Contingent Liabilities

The City is exposed to various claims and lawsuits in the normal course of business. Management are unaware of any material pending or threatened litigation, claims, or assessments against the City which are not covered by the City's insurance.

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. Management believes any liability resulting from these audits would be immaterial.

NOTE 13. Landfill Closure and Post -Closure Costs

State and federal laws and regulations (i.e., 20.9.2 – 20.9.10 NMAC, New Mexico Solid Waste Act and 40 CFR Part 258 - Subtitle D of RCRA) require the City to install an approved final cover system on its regional landfill site after it receives the final receipt of waste to minimize infiltration of liquid into the closed landfill, to minimize wind and water erosion to the cover system, and to control storm water runoff from the closed landfill. The laws and regulations also require the City to perform certain post-closure inspection and maintenance as well as monitoring functions at the closed landfill site for 30 years after closure. The City's landfill accepted its last load of construction and demolition waste on May 17, 2014. As of June 30, 2017, the percentage of the landfill consumed is 100% which is unchanged from the prior year. The final estimated cost estimate for closure and postclosure care is \$1,031,334.

As outlined in 20 NMAC 9.1.502.B, post closure maintenance activities will continue for a period of 30 years after original closure of the landfill.

NOTE 14. Restricted Components of Net Position

The government-wide statement of net position reports \$2,588,210 of restricted net position, all of which is restricted by enabling legislation or other methods. For descriptions of the related enabling legislation for special revenue, debt service and capital projects funds, see pages 36-37 and 75-77.

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2017, which is the date on which the financial statements were issued.

NOTE 16. Construction Commitments

The City has multiple construction projects outstanding as of June 30, 2017. Costs left to complete a Depot Multi Modal Project and a Fire Station project are estimated at \$133,003 and \$155,196 respectively.

STATE OF NEW MEXICO
City of Raton
Notes to the Financial Statements
June 30, 2017

NOTE 17. Joint Power Agreements

| | |
|----------------------------------|---------------------------------------------------------------------------------------------------------|
| Agreement: | Raton Fire and Emergency Services |
| Participants with City: | EMNRD-Forestry Division-Cimarron District (NM-N2S) |
| Party responsible for operation: | EMNRD-Forestry Division-Cimarron District (NM-N2S) |
| Description: | Reimbursement of Overtime and equipment as needed for wildland fire response on a rate basis as needed. |
| Period: | 1/1/2017-12/31/2018 |
| Cost to City: | Indeterminate |
| City contributions: | Indeterminate |
| Audit responsibility: | EMNRD-Forestry Division-Cimarron District (NM-N2S) |

NOTE 18. Subsequent Pronouncements

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

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

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

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. 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 City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The City does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

City of Raton

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

| | 2017 | 2016 | 2015 |
|---------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| | Measurement | Measurement | Measurement |
| | Date | Date | Date |
| | (As of and for | (As of and for | (As of and for |
| | the Year Ended | the Year Ended | the Year Ended |
| | June 30, 2016) | June 30, 2015) | June 30, 2014) |
| | <u>0.2415%</u> | <u>0.2364%</u> | <u>0.2216%</u> |
| City of Raton's proportion of the net pension liability | 0.2415% | 0.2364% | 0.2216% |
| City of Raton's proportionate share of the net pension liability | \$ 3,858,358 | \$ 2,410,303 | \$ 1,728,718 |
| City of Raton's covered payroll | \$ 2,190,052 | \$ 2,073,010 | \$ 1,798,896 |
| City of Raton's proportionate share of the net pension liability as a percentage of its covered payroll | 176.18% | 116.27% | 96.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

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

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

STATE OF NEW MEXICO

City of Raton

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

| | 2017 | 2016 | 2015 |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| | Measurement | Measurement | Measurement |
| | Date | Date | Date |
| | (As of and for | (As of and for | (As of and for |
| | the Year Ended | the Year Ended | the Year Ended |
| | June 30, 2016) | June 30, 2015) | June 30, 2014) |
| City of Raton's proportion of the net pension liability | 0.3152% | 0.3133% | 0.3040% |
| City of Raton's proportionate share of the net pension liability | \$ 2,325,640 | \$ 1,506,522 | \$ 991,007 |
| City of Raton's covered-employee payroll | \$ 626,915 | \$ 618,895 | \$ 585,530 |
| City of Raton's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 370.97% | 243.42% | 169.25% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

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

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

STATE OF NEW MEXICO

City of Raton

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

| | 2017 | 2016 | 2015 |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| | Measurement | Measurement | Measurement |
| | Date | Date | Date |
| | (As of and for | (As of and for | (As of and for |
| | the Year Ended | the Year Ended | the Year Ended |
| | June 30, 2016) | June 30, 2015) | June 30, 2014) |
| City of Raton's proportion of the net pension liability | 0.4623% | 0.4436% | 0.4096% |
| City of Raton's proportionate share of the net pension liability | \$ 3,084,011 | \$ 2,289,500 | \$ 1,709,668 |
| City of Raton's covered-employee payroll | \$ 538,923 | \$ 505,619 | \$ 456,169 |
| City of Raton's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 572.25% | 452.81% | 374.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

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

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

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

| | As of and for the Year Ended June 30, 2017 | As of and for the Year Ended June 30, 2016 | As of and for the Year Ended June 30, 2015 |
|----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Contractually required contributions | \$ 201,731 | \$ 197,549 | \$ 187,690 |
| Contributions in relation to the contractually required contribution | <u>(201,731)</u> | <u>(197,549)</u> | <u>(187,690)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Raton's covered-employee payroll | \$ 2,232,575 | \$ 2,190,052 | \$ 2,073,010 |
| Contributions as a percentage of covered-employee payroll | 9% | 9% | 9% |

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

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

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

| | As of and for the Year Ended June 30, 2017 | As of and for the Year Ended June 30, 2016 | As of and for the Year Ended June 30, 2015 |
|----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Contractually required contributions | \$ 114,649 | \$ 118,487 | \$ 116,873 |
| Contributions in relation to the contractually required contribution | <u>(114,649)</u> | <u>(118,487)</u> | <u>(116,873)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Raton's covered-employee payroll | \$ 606,610 | \$ 626,915 | \$ 618,895 |
| Contributions as a percentage of covered-employee payroll | 19% | 19% | 19% |

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

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

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

| | As of and for the Year Ended June 30, 2017 | As of and for the Year Ended June 30, 2016 | As of and for the Year Ended June 30, 2015 |
|----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Contractually required contributions | \$ 118,160 | \$ 116,677 | \$ 109,391 |
| Contributions in relation to the contractually required contribution | <u>(118,160)</u> | <u>(116,677)</u> | <u>(109,397)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Raton's covered-employee payroll | \$ 545,776 | \$ 538,923 | \$ 505,619 |
| Contributions as a percentage of covered-employee payroll | 22% | 22% | 22% |

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

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

STATE OF NEW MEXICO
City of Raton
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
City of Raton
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds

Fire Grants (201)- to account for funds designated for fire expenditures relating to training and equipping fire fighters. The fund was created administratively by ordinance.

Fire Protection Fund (202)- to account for the operations and maintenance of the fire department. Funding is provided by a distribution from the fire protection fund established by §59A-6-5NMSA 1978 as authorized by §59A-53-2.

Recreation Fund (203)- to account for the operations and maintenance of recreation facilities. Funding managed and/or owned by the City is provided by recreational fees charged to users and cigarette taxes received pursuant to §7-12-15 NMSA 1978, which provides that the cigarette taxes received under this section shall be used for recreational facilities.

Lodgers' Tax (204)- to account for the lodgers' tax imposed pursuant to Ordinance 597, as amended by Ordinance 780, as authorized under §3-38-13 through 3-38-24 NMSA 1978. Ordinance 780 imposes a tax of 5% on gross taxable rent for lodging. The City must use not less than 40% of the tax collected for advertising, publicizing and promoting tourist-related attractions, facilities and events.

Law Enforcement Fund (206) - to account for the maintenance and improvement of the City's police department in order to enhance the efficiency and attractiveness of law enforcement services. Funding is provided by distributions from the New Mexico Law Enforcement Protection Fund as provided for under Chapter 29 Article 13, NMSA 1978.

Emergency Medical Services (208)- to account for funds received from the New Mexico Emergency Medical Services Fund as authorized by Chapter 24 Article 10A NMSA 1978 for use in the establishment and enhancement of local emergency medical services in order to reduce injury and loss of life.

Police Grants (209) - to account for state operating grants received from the State of New Mexico to supplement operations of a local emergency 911 dispatch center. The fund was authorized by City resolution.

Local Government Corrections (210)- to account for the correction fees (\$10) imposed pursuant to 35-14-11 B.(1) NMSA 1978. The correction fees shall be used for municipal jailer or juvenile detention officer training, for the construction planning, construction, operation and maintenance of a municipal jailer juvenile detention facility, for paying the cost of housing municipal prisoners in a City jailer housing juveniles in a detention facility or for complying with match or contribution requirements for the receipt of federal funds relating to jails of juvenile detention facilities.

Library Building (211)- to account for the resources donated to the City for the specific benefit of the library. The City of Raton operates a free library as authorized by 3-18-14 NMSA 1978.

Library Grant Fund (213)- to account for funds designated for library uses. This fund was created administratively by ordinance.

Environmental GRT (216)- to account for gross receipts taxes authorized by City Ordinance Pursuant to authority granted under 7-19D-10. The tax imposed is limited to 1/16% and its use is restricted to the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, sewer systems and related facilities.

Police Money Seizures (219)- to account for monies received from the sale of seized assets, which were sold under authority of the Federal Law Enforcement Assistant Act of 1965 (Public Law 98-197 (89-197)). Funds were distributed to the City pursuant to 29-1-10.1 NMSA 1978. Funds must be spent for law enforcement activities.

LLEBG (220)- to account for funds designated for law enforcement expenditures relating to training and equipping law enforcement personnel. Authority is NMSA 6-1-6.

STATE OF NEW MEXICO
City of Raton
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

Juvenile Justice Grant (222) - to account for funds designated by the Children, Youth, and Families Department (CYFD) to provide supervision to juveniles who have been referred to juvenile probation and parole office. The City acts as the fiscal agent for the grant funds, which are used to serve youth in Colfax County. This fund was created administratively by ordinance.

ARRA OJP Fund (223)- to account for funds received from American Recovery and Reinvestment Act grants for the OJP Project. This fund was created administratively by ordinance.

ARRA CWSRF Project (224)- to account for funds received from American Recovery and Reinvestment Act grants for the CWSRF Project. This fund was created administratively by ordinance.

Shuler LEDA (229) - To account for a Local Economic Development grant from the New Mexico Economic Development Department for a digital equipment upgrade for the City's Shuler theatre. This fund was approved by the City Commission through resolution number 2016-26.

Capital Projects Funds

Lodgers' Tax 2% Capital (206)- to account for a portion of the Lodgers' Tax set aside for the expansion, renovation and improvements to the Raton Welcome Center and other City owned buildings.

Street Improvement (217)- to account for costs associated with the improvements to city streets. Funding is provided by Gasoline Taxes, State Co-op agreements and other reimbursements.

Swim /Pool Recreation Center Fund (302)- to account for funds spent to build the new aquatic recreation center.

NMDOT (305)- to account for funds received from the state for costs associated with the Raton MAP (Municipal Arterial Program) Project. Funding is provided by the New Mexico State Highway and Transportation Department.

Historic Buildings (308)- to account for funds related to improving and restoring the City's historic buildings.

1/4 % Capital Improvements (309)- to account for 1/4% Municipal Gross Receipts Tax adopted by Ordinance No. 937 on January 25, 2005, pursuant to authority granted by 7-19D-11. Tax increase effective July 2005 and use is restricted to Aquatic/Recreation Center design and construction and municipal infrastructure improvements.

Water Capital Project (311)- to account for costs associated with water and wastewater related projects. Funding is provided from NMFA loans and grant funding

Depot Improvement Project (312)- to account for costs associated with the multi-modal transportation center. Funding is provided by FHWA administration grants and state mainstreet program grants.

Airport Capital (300)- This capital projects fund accounts for costs associated with the improvements to airport runways. Funding is provided by FAA federal grants and state funding.

Debt Service Funds

NMFA Loan - Welcome Center (403) - to accumulate monies for the repayment of the loan received from NMFA. 40% of the revenues generated by the occupancy tax imposed on lodging in the City of Raton pursuant to the Lodgers' Tax Act, §§3-38-13 to 3-38-24, NMSA 1978 and City Ordinance No. 597 adopted on March 9, 1971, as amended by City Ordinance No. 780 adopted on September 27, 1988, are pledged for the repayment of the loan.

STATE OF NEW MEXICO
City of Raton
Nonmajor Governmental Fund Descriptions
June 30, 2017

Debt Service Funds (continued)

Recreation Center (406) - to accumulate monies for the repayment of the loan received from NMFA. Revenues provided by the municipal gross receipts tax imposed, authorized under Governmental Unit Ordinance No. 951, adopted on March 13, 2007, and authorized pursuant to Section 7-19D-9 NMSA 1978 are pledged for the repayment of this loan.

Aquatic Center (407) - to accumulate monies for the repayment of the loan received from NMFA. Revenues provided by municipal gross receipts tax imposed, authorized under Governmental Unit Ordinance No. 951, adopted on March 13, 2007, and authorized pursuant to Section 7-19D-9 NMSA 1978 is pledged for the repayment of this loan.

NMFA Loan - Police Vehicles (411) - to accumulate monies for the repayment of the loan received from NMFA. The City has pledged Law Enforcement Protection Fund revenues received from the State pursuant to Section 29-13-6, NMSA 1978. The City authorized the issuance pursuant to Resolution No. 2012-48, adopted on December 11, 2012.

NMFA Loan - Fire (401)- to account for transfers from the Fire Fund of State Fire Protection Funds to repay the New Mexico Finance Authority loan payable.

Waste Water Treatment (405)- to accumulate monies for the repayment of the revenue bond. The City has pledged future waste water revenues to repay the bond.

STATE OF NEW MEXICO
City of Raton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | Special Revenue | | | |
|--------------------------------------------|------------------------|---------------------------------|----------------------------|---------------------|
| | Fire Grants | Fire Protection Fund | Recreation Fund | Lodgers' Tax |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ 103,828 | \$ 108,569 | \$ 10,087 | \$ 72,819 |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Other taxes | - | - | 24,498 | 67,720 |
| Due from other governments | 25,101 | - | - | - |
| | <u>128,929</u> | <u>108,569</u> | <u>34,585</u> | <u>140,539</u> |
| <i>Total assets</i> | <u>\$ 128,929</u> | <u>\$ 108,569</u> | <u>\$ 34,585</u> | <u>\$ 140,539</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ 358 | \$ 607 | \$ 1,279 | \$ 238 |
| Accrued payroll | - | - | 5,177 | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | - | - | - | - |
| | <u>358</u> | <u>607</u> | <u>6,456</u> | <u>238</u> |
| <i>Total liabilities</i> | <u>358</u> | <u>607</u> | <u>6,456</u> | <u>238</u> |
| <i>Fund balances</i> | | | | |
| Spendable: | | | | |
| Restricted for: | | | | |
| Public safety | 128,571 | 107,962 | - | - |
| Culture and recreation | - | - | 28,129 | 140,301 |
| Health and welfare | - | - | - | - |
| Capital acquisitions and improvements | - | - | - | - |
| Debt service | - | - | - | - |
| | <u>128,571</u> | <u>107,962</u> | <u>28,129</u> | <u>140,301</u> |
| <i>Total fund balances</i> | <u>128,571</u> | <u>107,962</u> | <u>28,129</u> | <u>140,301</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 128,929</u> | <u>\$ 108,569</u> | <u>\$ 34,585</u> | <u>\$ 140,539</u> |

See independent auditors' report.

| Special Revenue | | | | |
|-------------------------------------|-------------------------------------------|----------------------|---------------------------------------------|-----------------------------|
| Law Enforcement Fund | Emergency Medical Services | Police Grants | Local Government Corrections | Library Building |
| \$ 3,609 | \$ 3,796 | \$ - | \$ 52,517 | \$ 39,991 |
| - | - | - | - | 229,700 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 3,609</u> | <u>\$ 3,796</u> | <u>\$ -</u> | <u>\$ 52,517</u> | <u>\$ 269,691</u> |
| \$ - | \$ 21 | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 21 | - | - | - |
| - | - | - | - | - |
| 3,609 | 3,775 | - | 52,517 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 269,691 |
| - | - | - | - | - |
| <u>3,609</u> | <u>3,775</u> | <u>-</u> | <u>52,517</u> | <u>269,691</u> |
| <u>\$ 3,609</u> | <u>\$ 3,796</u> | <u>\$ -</u> | <u>\$ 52,517</u> | <u>\$ 269,691</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | Special Revenue | | | |
|--------------------------------------------|-------------------------------|------------------------------|----------------------------------|--------------|
| | Library Grant Fund | Environmental GRT | Police Money Seizures | LLEBG |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ - | \$ 47,486 | \$ 26,435 | \$ - |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Other taxes | - | 12,248 | - | - |
| Due from other governments | 3,422 | - | - | - |
| <i>Total assets</i> | <u>\$ 3,422</u> | <u>\$ 59,734</u> | <u>\$ 26,435</u> | <u>\$ -</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | - | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | |
| Spendable: | | | | |
| Restricted for: | | | | |
| Public safety | - | - | 26,435 | - |
| Culture and recreation | 3,422 | - | - | - |
| Health and welfare | - | 59,734 | - | - |
| Capital acquisitions and improvements | - | - | - | - |
| Debt service | - | - | - | - |
| <i>Total fund balances</i> | <u>3,422</u> | <u>59,734</u> | <u>26,435</u> | <u>-</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 3,422</u> | <u>\$ 59,734</u> | <u>\$ 26,435</u> | <u>\$ -</u> |

See independent auditors' report.

| Special Revenue | | | | Capital Projects |
|-------------------------------|-----------------|-------------------|--------------------|--------------------------------|
| Juvenile Justice Grant | ARRA OJP | ARRA CWSRF | Shuler LEDA | Lodgers' Tax 2% Capital |
| \$ - | \$ - | \$ - | \$ 101,237 | \$ 146,086 |
| - | - | - | - | - |
| - | - | - | - | - |
| 7,954 | - | - | - | - |
| <u>\$ 7,954</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,237</u> | <u>\$ 146,086</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 727 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 727 |
| 7,954 | - | - | - | - |
| - | - | - | 101,237 | - |
| - | - | - | - | - |
| - | - | - | - | 145,359 |
| - | - | - | - | - |
| <u>7,954</u> | <u>-</u> | <u>-</u> | <u>101,237</u> | <u>145,359</u> |
| <u>\$ 7,954</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,237</u> | <u>\$ 146,086</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | Capital Projects | | | |
|--------------------------------------------|-------------------------------|-------------------------------------------------|--------------|------------------------------|
| | Street Improvement | Swim/Pool Recreation Center Fund | NMDOT | Historic Building |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ 263,853 | \$ 123,358 | \$ - | \$ - |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Other taxes | 28,803 | 97,513 | - | - |
| Due from other governments | - | - | - | - |
| <i>Total assets</i> | <u>\$ 292,656</u> | <u>\$ 220,871</u> | <u>\$ -</u> | <u>\$ -</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | - | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | |
| Spendable: | | | | |
| Restricted for: | | | | |
| Public safety | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital acquisitions and improvements | 292,656 | 220,871 | - | - |
| Debt service | - | - | - | - |
| <i>Total fund balances</i> | <u>292,656</u> | <u>220,871</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 292,656</u> | <u>\$ 220,871</u> | <u>\$ -</u> | <u>\$ -</u> |

See independent auditors' report.

| Capital Projects | | | | Debt Service |
|----------------------------------|------------------------------|----------------------------------|------------------------|---------------------------------|
| 1/4% Capital Improvements | Water Capital Project | Depot Improvement Project | Airport Capital | NMFA Loan Welcome Center |
| \$ - | \$ - | \$ - | \$ 320 | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 6,121 | - | 133,838 | - |
| <u>\$ -</u> | <u>\$ 6,121</u> | <u>\$ -</u> | <u>\$ 134,158</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | 0 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 6,121 | - | 134,158 | - |
| - | - | - | - | - |
| - | 6,121 | - | 134,158 | - |
| <u>\$ -</u> | <u>\$ 6,121</u> | <u>\$ -</u> | <u>\$ 134,158</u> | <u>\$ -</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | Debt Service | | | |
|--------------------------------------------|------------------------------|-----------------------|--------------------------------------|-----------------------|
| | Recreation Center | Aquatic Center | NMFA Loan Police Vehicles | NMFA Loan Fire |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ 69,218 | \$ 6,484 | \$ 103 | \$ 3,678 |
| Investments | 205,367 | 226,255 | - | - |
| Receivables: | | | | |
| Other taxes | - | - | - | - |
| Due from other governments | - | - | - | - |
| | <u>\$ 274,585</u> | <u>\$ 232,739</u> | <u>\$ 103</u> | <u>\$ 3,678</u> |
| <i>Total assets</i> | | | | |
| | <u>\$ 274,585</u> | <u>\$ 232,739</u> | <u>\$ 103</u> | <u>\$ 3,678</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Due to other funds | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities</i> | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | | |
| <i>Spendable:</i> | | | | |
| <i>Restricted for:</i> | | | | |
| Public safety | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital acquisitions and improvements | - | - | - | - |
| Debt service | 274,585 | 232,739 | 103 | 3,678 |
| | <u>274,585</u> | <u>232,739</u> | <u>103</u> | <u>3,678</u> |
| <i>Total fund balances</i> | | | | |
| | <u>274,585</u> | <u>232,739</u> | <u>103</u> | <u>3,678</u> |
| <i>Total liabilities and fund balances</i> | | | | |
| | <u>\$ 274,585</u> | <u>\$ 232,739</u> | <u>\$ 103</u> | <u>\$ 3,678</u> |

See independent auditors' report.

| <u>Debt Service</u> | | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------------|----------|--------------------------------------------------|
| <u>Waste Water Treatment</u> | | |
| \$ | - | \$ 1,183,474 |
| | - | 661,322 |
| | - | 230,782 |
| | - | 176,436 |
| | - | <u>2,252,014</u> |
| <u>\$</u> | <u>-</u> | <u>\$ 2,252,014</u> |
| | - | 3,230 |
| | - | 5,177 |
| | - | - |
| | - | - |
| | - | <u>8,407</u> |
| | - | 330,823 |
| | - | 273,089 |
| | - | 59,734 |
| | - | 1,068,856 |
| | - | 511,105 |
| | - | <u>2,243,607</u> |
| <u>\$</u> | <u>-</u> | <u>\$ 2,252,014</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Special Revenue | | | |
|----------------------------------------------------------|------------------------|---------------------------------|----------------------------|---------------------|
| | Fire Grants | Fire Protection Fund | Recreation Fund | Lodgers' Tax |
| <i>Revenues</i> | | | | |
| Taxes | \$ - | \$ - | \$ 152,586 | \$ 425,248 |
| Intergovernmental revenue: | | | | |
| Federal operating grants | - | - | - | - |
| State operating grants | 182,113 | 473,039 | - | - |
| Federal capital grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | 79,017 | - |
| License and fees | - | - | - | - |
| Investment income | - | 2,488 | 100 | 523 |
| Miscellaneous income | 6,444 | 617 | 1,402 | 905 |
| <i>Total revenues</i> | 188,557 | 476,144 | 233,105 | 426,676 |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 112,618 | 108,020 | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | 309,598 | 162,501 |
| Health and welfare | - | - | - | - |
| Capital outlay | 52,483 | 331,147 | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| <i>Total expenditures</i> | 165,101 | 439,167 | 309,598 | 162,501 |
| <i>Excess (deficiency) of revenues over expenditures</i> | 23,456 | 36,977 | (76,493) | 264,175 |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of assets | 6,547 | - | - | - |
| Reversion to other governments | - | - | - | - |
| Transfers in | - | - | 55,000 | - |
| Transfers (out) | (13,000) | (82,031) | - | (244,268) |
| Bond proceeds | - | - | - | - |
| <i>Total other financing sources (uses)</i> | (6,453) | (82,031) | 55,000 | (244,268) |
| <i>Net change in fund balances</i> | 17,003 | (45,054) | (21,493) | 19,907 |
| <i>Fund balances - beginning</i> | 111,568 | 153,016 | 49,622 | 120,394 |
| <i>Fund balances - end of year</i> | \$ 128,571 | \$ 107,962 | \$ 28,129 | \$ 140,301 |

See independent auditors' report.

| Special Revenue | | | | |
|-------------------------------------|-------------------------------------------|----------------------|---------------------------------------------|-----------------------------|
| Law Enforcement Fund | Emergency Medical Services | Police Grants | Local Government Corrections | Library Building |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 4,684 | - | - |
| 27,200 | 22,336 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 11,400 | - |
| 35 | 21 | - | 296 | 1,324 |
| - | 5,495 | 6,417 | - | 898 |
| <u>27,235</u> | <u>27,852</u> | <u>11,101</u> | <u>11,696</u> | <u>2,222</u> |
| - | - | - | - | - |
| 6,970 | 32,077 | 100,157 | 11,677 | - |
| - | - | - | - | - |
| - | - | - | - | 3,881 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>6,970</u> | <u>32,077</u> | <u>100,157</u> | <u>11,677</u> | <u>3,881</u> |
| <u>20,265</u> | <u>(4,225)</u> | <u>(89,056)</u> | <u>19</u> | <u>(1,659)</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 8,000 | 8,056 | - | - |
| (20,665) | - | - | - | - |
| <u>(20,665)</u> | <u>8,000</u> | <u>8,056</u> | <u>-</u> | <u>-</u> |
| (400) | 3,775 | (81,000) | 19 | (1,659) |
| 4,009 | - | 81,000 | 52,498 | 271,350 |
| <u>\$ 3,609</u> | <u>\$ 3,775</u> | <u>\$ -</u> | <u>\$ 52,517</u> | <u>\$ 269,691</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Special Revenue | | | |
|----------------------------------------------------------|-------------------------------|------------------------------|----------------------------------|--------------|
| | Library Grant Fund | Environmental GRT | Police Money Seizures | LLEBG |
| <i>Revenues</i> | | | | |
| Taxes | \$ - | \$ 76,285 | \$ - | \$ - |
| Intergovernmental revenue: | | | | |
| Federal operating grants | - | - | - | - |
| State operating grants | 19,046 | 16,817 | - | - |
| Federal capital grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| License and fees | - | - | - | - |
| Investment income | - | 393 | 143 | - |
| Miscellaneous income | - | - | - | - |
| Total revenues | 19,046 | 93,495 | 143 | - |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 1,431 | - |
| Public works | - | - | - | - |
| Culture and recreation | 19,046 | - | - | - |
| Health and welfare | - | 86,426 | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total expenditures | 19,046 | 86,426 | 1,431 | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | 7,069 | (1,288) | - |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of assets | - | - | - | - |
| Reversion to other governments | - | - | - | - |
| Transfers in | 5,000 | 149,529 | - | - |
| Transfers (out) | (1,578) | (277,120) | - | - |
| Bond proceeds | - | - | - | - |
| Total other financing sources (uses) | 3,422 | (127,591) | - | - |
| Net change in fund balances | 3,422 | (120,522) | (1,288) | - |
| Fund balances - beginning | - | 180,256 | 27,723 | - |
| Fund balances - end of year | \$ 3,422 | \$ 59,734 | \$ 26,435 | \$ - |

See independent auditors' report.

| Special Revenue | | | | Capital Projects |
|-------------------------------|-----------------|-------------------|--------------------|--------------------------------|
| Juvenile Justice Grant | ARRA OJP | ARRA CWSRF | Shuler LEDA | Lodgers' Tax 2% Capital |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 130,080 | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 3,157 | 3,468 |
| - | - | - | - | - |
| - | - | - | 560 | 791 |
| - | - | - | - | 727 |
| <u>130,080</u> | <u>-</u> | <u>-</u> | <u>3,717</u> | <u>4,986</u> |
| - | - | - | - | - |
| 130,080 | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 117,047 |
| - | - | - | - | - |
| - | - | - | 2,572 | 12,739 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>130,080</u> | <u>-</u> | <u>-</u> | <u>2,572</u> | <u>129,786</u> |
| - | - | - | 1,145 | (124,800) |
| - | - | - | - | - |
| - | - | - | - | - |
| 7,954 | - | - | - | 244,389 |
| (14,344) | - | - | - | (73,577) |
| - | - | - | - | - |
| <u>(6,390)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>170,812</u> |
| (6,390) | - | - | 1,145 | 46,012 |
| 14,344 | - | - | 100,092 | 99,347 |
| <u>\$ 7,954</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,237</u> | <u>\$ 145,359</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Capital Projects | | | |
|----------------------------------------------------------|-------------------------------|--------------------------------------------------|--------------|------------------------------|
| | Street Improvement | Swim/Pool Recreation Cennter Fund | NMDOT | Historic Building |
| <i>Revenues</i> | | | | |
| Taxes | \$ 165,296 | \$ - | \$ - | \$ - |
| Intergovernmental revenue: | | | | |
| Federal operating grants | - | - | - | - |
| State operating grants | - | 602,754 | - | - |
| Federal capital grants | - | - | - | - |
| State capital grants | 246,294 | - | - | - |
| Charges for services | - | - | - | - |
| License and fees | - | - | - | - |
| Investment income | 1,412 | 1,080 | - | - |
| Miscellaneous income | - | - | - | - |
| Total revenues | 413,002 | 603,834 | - | - |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 158,828 | - | - | - |
| Culture and recreation | - | 13,730 | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | 229,931 | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total expenditures | 388,759 | 13,730 | - | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | 24,243 | 590,104 | - | - |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of assets | - | - | - | - |
| Reversion to other governments | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers (out) | - | (541,618) | - | (27,247) |
| Bond proceeds | - | - | - | - |
| Total other financing sources (uses) | - | (541,618) | - | (27,247) |
| <i>Net change in fund balances</i> | 24,243 | 48,486 | - | (27,247) |
| <i>Fund balances - beginning</i> | 268,413 | 172,385 | - | 27,247 |
| <i>Fund balances - end of year</i> | \$ 292,656 | \$ 220,871 | \$ - | \$ - |

See independent auditors' report.

| Capital Projects | | | | Debt Service |
|---------------------------|-----------------------|---------------------------|-----------------|--------------------------|
| 1/4% Capital Improvements | Water Capital Project | Depot Improvement Project | Airport Capital | NMFA Loan Welcome Center |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 491,831 | - | - |
| - | 168,820 | - | 318,544 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 1,753 | 320 | 592 |
| - | - | - | - | - |
| - | 168,820 | 493,584 | 318,864 | 592 |
| - | - | 140,650 | - | - |
| - | - | - | - | - |
| - | 159,762 | - | 191,667 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 350,156 | 169,916 | - |
| - | - | - | - | 93,418 |
| - | - | - | - | 4,852 |
| - | 159,762 | 490,806 | 361,583 | 98,270 |
| - | 9,058 | 2,778 | (42,719) | (97,678) |
| - | - | - | - | - |
| - | (2,937) | - | - | - |
| - | - | 200,000 | 176,808 | 39,577 |
| - | - | (343,427) | - | (121) |
| - | - | - | - | - |
| - | (2,937) | (143,427) | 176,808 | 39,456 |
| - | 6,121 | (140,649) | 134,089 | (58,222) |
| - | - | 140,649 | 69 | 58,222 |
| \$ - | \$ 6,121 | \$ - | \$ 134,158 | \$ - |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Debt Service | | | |
|----------------------------------------------------------|------------------------------|-----------------------|--------------------------------------|-----------------------|
| | Recreation Center | Aquatic Center | NMFA Loan Police Vehicles | NMFA Loan Fire |
| <i>Revenues</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue: | | | | |
| Federal operating grants | - | - | - | - |
| State operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| License and fees | - | - | - | - |
| Investment income | 3,102 | 2,947 | 62 | 242 |
| Miscellaneous income | - | - | - | - |
| Total revenues | 3,102 | 2,947 | 62 | 242 |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | 261,777 | 70,000 | 20,470 | 72,918 |
| Interest and fees | 91,024 | 104,977 | 194 | 9,113 |
| Total expenditures | 352,801 | 174,977 | 20,664 | 82,031 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (349,699) | (172,030) | (20,602) | (81,789) |
| <i>Other financing sources (uses)</i> | | | | |
| Proceeds from the sale of assets | - | - | - | - |
| Reversion to other governments | - | - | - | - |
| Transfers in | 358,992 | 172,626 | 20,665 | 82,031 |
| Transfers (out) | - | - | - | - |
| Bond proceeds | - | - | - | - |
| Total other financing sources (uses) | 358,992 | 172,626 | 20,665 | 82,031 |
| <i>Net change in fund balances</i> | 9,293 | 596 | 63 | 242 |
| <i>Fund balances - beginning</i> | 265,292 | 232,143 | 40 | 3,436 |
| <i>Fund balances - end of year</i> | \$ 274,585 | \$ 232,739 | \$ 103 | \$ 3,678 |

See independent auditors' report.

| <u>Debt Service</u> | | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------------|----------|--------------------------------------------------|
| <u>Waste Water Treatment</u> | | |
| \$ | - | \$ 819,415 |
| | - | 134,764 |
| | - | 1,343,305 |
| | - | 491,831 |
| | - | 733,658 |
| | - | 85,642 |
| | - | 11,400 |
| | - | 18,184 |
| | - | 22,905 |
| | - | <u>3,661,104</u> |
| | - | 140,650 |
| | - | 503,030 |
| | - | 510,257 |
| | - | 625,803 |
| | - | 86,426 |
| | - | 1,148,944 |
| | - | 518,583 |
| | - | 210,160 |
| | - | <u>3,743,853</u> |
| | - | <u>(82,749)</u> |
| | - | 6,547 |
| | - | (2,937) |
| | - | 1,528,627 |
| | - | (1,638,996) |
| | - | - |
| | - | <u>(106,759)</u> |
| | - | (189,508) |
| | - | <u>2,433,115</u> |
| <u>\$</u> | <u>-</u> | <u>\$ 2,243,607</u> |

See independent auditors' report.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Raton
Schedule of Deposits and Investment Accounts
June 30, 2017

Schedule III
Page 1 of 2

| Bank Name/Account Name | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Book Balance |
|------------------------------------------------|--------------|------------------|---------------------|--------------------|------------------|
| International Bank | | | | | |
| General Fund | Checking | \$ 85,000 | \$ - | \$ - | \$ 85,000 |
| General Fund-Special Investment | Checking | 436,045 | - | - | 436,045 |
| Enterprise Fund/Solid Waste | Checking | - | - | - | - |
| Solid Waste Fund | Checking | - | - | - | - |
| Pooled Special Revenue | Checking | 25,000 | - | - | 25,000 |
| Special Revenue Funds | Checking | 938,094 | - | - | 938,094 |
| 2005 WWTP P&L | Checking | - | - | - | - |
| Wastewater TRTMNT DS | Checking | - | - | - | - |
| RWW- Operating | Checking | 341 | - | - | 341 |
| Certificate of Deposit | CD | 373,589 | - | - | 373,589 |
| Certificate of Deposit | CD | 99,153 | - | - | 99,153 |
| Certificate of Deposit | CD | 841,749 | - | - | 841,749 |
| Certificate of Deposit | CD | 153,625 | - | - | 153,625 |
| <i>Total International Bank</i> | | <u>2,952,596</u> | <u>-</u> | <u>-</u> | <u>2,952,596</u> |
| First National Bank of New Mexico | | | | | |
| General Fund | Checking | 1,089,747 | 411,462 | (259,749) | 1,241,460 |
| Raton Municipal Court Court Fund | Checking | 5,186 | 762 | (776) | 5,172 |
| Raton Municipal Court Bond Fund | Checking | 3,138 | 2,668 | (5) | 5,801 |
| Special Revenue Funds | Checking | 67,736 | 156,552 | (132,258) | 92,030 |
| Pooled Capital Projects | Checking | 394,210 | 90,419 | (484,309) | 320 |
| GRT Swimming Pool/ Recreation Center Fund | Checking | 123,358 | - | - | 123,358 |
| Waterwaste TRMNT DS | Checking | 200,062 | - | - | 200,062 |
| Wastewater Treatment P&I Acct | Checking | 735,062 | - | - | 735,062 |
| Enterprise Fund/Solid Waste | Checking | 499,158 | 59,901 | (15,384) | 543,675 |
| Payroll Clearing | Checking | 2,051 | - | (1,734) | 317 |
| Pooled Trust & Agency | Checking | 5,866 | - | (94) | 5,772 |
| Landfill Trust & Agency | Checking | 253,725 | - | - | 253,725 |
| CD-Library Building Fund | CD | 80,000 | - | - | 80,000 |
| CD-Library Building Fund | CD | 149,700 | - | - | 149,700 |
| RWW Opertating | Checking | 358,627 | 12,826 | (271,908) | 99,545 |
| Water Capital Projects | Checking | 67,096 | 33,157 | (30,606) | 69,647 |
| SGRT | Checking | 860,665 | - | (27,491) | 833,174 |
| SGRT B&I | Checking | 22,872 | - | (22,113) | 759 |
| RWW GO Bond | Checking | 402 | - | - | 402 |
| RWW Customer Meter Deposits | Checking | 70,047 | 225 | (1,949) | 68,323 |
| B&I 1976 Reserve | Checking | - | - | - | - |
| SGRT B&I Reserve | Checking | 991 | - | - | 991 |
| CD-Raton Water Depart Capital Imprv | CD | 498,362 | - | - | 498,362 |
| CD-Raton Water Depart Capital Imprv | CD | 627,758 | - | - | 627,758 |
| <i>Total First National Bank of New Mexico</i> | | <u>6,115,819</u> | <u>767,972</u> | <u>(1,248,376)</u> | <u>5,635,415</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Schedule of Deposits and Investment Accounts
June 30, 2017

Schedule III
Page 2 of 2

| Bank Name/Account Name | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Book Balance |
|-----------------------------------------------------|--------------|----------------------|---------------------|-----------------------|---------------------|
| New Mexico Finance Authority | | | | | |
| NMFA Fire Equipment | Trust | \$ 3,678 | \$ - | \$ - | \$ 3,678 |
| NMFA Welcome Center | Trust | - | - | - | - |
| NMFA Welcome Center - Reserve | Trust | - | - | - | - |
| NMFA Recreation Center | Trust | 63,369 | - | - | 63,369 |
| NMFA Recreation Center | Trust | 211,216 | - | - | 211,216 |
| NMFA Recreation Center - Reserve | Trust | 40 | - | - | 40 |
| NMFA Recreation Center - Reserve | Trust | 232,699 | - | - | 232,699 |
| NMFA Water Trust Board | | | | | |
| Fire Restoration -Program Funds | Trust | - | - | - | - |
| NMFA Police Vehicles | Trust | 103 | - | - | 103 |
| NMFA Sanitation /Transfer | | | | | |
| Station - Debt Service | Trust | 22,136 | - | - | 22,136 |
| NMFA Sanitation /Transfer | | | | | |
| Station - Program Cash | Trust | 530,223 | - | - | 530,223 |
| NMFA Sanitation /Transfer | | | | | |
| Station - Reserve Funds | Trust | 104,853 | - | - | 104,853 |
| <i>Total New Mexico Finance Authority</i> | | <u>1,168,317</u> | <u>-</u> | <u>-</u> | <u>1,168,317</u> |
| <i>Total deposits*</i> | | <u>\$ 10,236,732</u> | <u>\$ 767,972</u> | <u>\$ (1,248,376)</u> | 9,756,328 |
| Add: petty cash | | | | | <u>652</u> |
| <i>Total deposits</i> | | | | | <u>\$ 9,756,980</u> |
| Deposits per financial statements: | | | | | |
| Cash and cash equivalents per Exhibit A-1 | | | | | \$ 7,106,231 |
| Investments per Exhibit A-1 | | | | | 331,649 |
| Restricted cash and investments for: | | | | | |
| Debt service per Exhibit A-1 | | | | | 981,837 |
| Unspent loan proceeds per Exhibit A-1 | | | | | 48,683 |
| Unspent loan proceeds - investments per Exhibit A-1 | | | | | 481,540 |
| Investments per Exhibit A-1 | | | | | 431,622 |
| Meter deposits per Exhibit A-1 | | | | | 104,948 |
| Closure and postclosure care per Exhibit A-1 | | | | | 253,725 |
| Agency funds cash per Exhibit E-1 | | | | | <u>16,745</u> |
| <i>Total deposits</i> | | | | | <u>\$ 9,756,980</u> |

*All deposit accounts are interest bearing

See independent auditors' report.

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STATE OF NEW MEXICO

Schedule IV

City of Raton

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2017

| <u>Name of Depository</u> | <u>Description of Pledged Collateral</u> | <u>Maturity</u> | <u>CUSIP Number</u> | <u>Fair Market Value June 30, 2017</u> | <u>Name and Location of Safekeeper</u> |
|----------------------------|------------------------------------------|-----------------|---------------------|----------------------------------------|----------------------------------------|
| International Bank | | | | | |
| | FHLB 1.125 12/08/17 | 12/8/2017 | 3130A3HF4 | \$ 349,983 | Bankers Bank of the West, Denver, CO |
| | FHLB 1.125 12/08/17 | 12/8/2017 | 3130A3HF4 | 199,990 | Bankers Bank of the West, Denver, CO |
| | FNMA 1.200 12/20/18'13 | 12/20/2018 | 3136G12K4 | 2,466,840 | Bankers Bank of the West, Denver, CO |
| | FNMA 1.200 12/20/18'13 | 12/20/2018 | 3136G12K4 | 199,341 | Bankers Bank of the West, Denver, CO |
| | FNMA 1.200 12/20/18'13 | 12/20/2018 | 3136G12K4 | 99,670 | Bankers Bank of the West, Denver, CO |
| | <i>Total International Bank</i> | | | <u>3,315,824</u> | |
| First National Bank | | | | | |
| | FHLB: FNMA - POOL#: MA1037 | 4/1/2032 | 31418AEK0 | 461,606 | Federal Home Bank, Irving, Texas |
| | FHLB: FNMA - POOL#: AL7581 | 9/1/2033 | 31418BY59 | 471,963 | Federal Home Bank, Irving, Texas |
| | FHLB: FNMA - POOL#: AH3586 | 1/1/2041 | 31418BY59 | 389,244 | Federal Home Bank, Irving, Texas |
| | ALBUQUERQUE NM GROSS RECPTS LO | 7/1/2031 | 01354MGJ4 | 503,035 | Federal Home Bank, Irving, Texas |
| | SBAP 2016-20E 1 | 5/1/2036 | 83162CXU2 | 944,170 | Federal Home Bank, Irving, Texas |
| | SBA POOL #: 522264 | 8/25/2024 | 83165AWZ3 | 700,015 | Federal Home Bank, Irving, Texas |
| | SBA POOL#: 522330 | 8/25/2029 | 83165AY32 | 1,056,191 | Federal Home Bank, Irving, Texas |
| | <i>Total First National Bank</i> | | | <u>4,526,224</u> | |
| | <i>Total Pledged Collateral</i> | | | <u>\$ 7,842,048</u> | |

See independent auditors' report.

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STATE OF NEW MEXICO

Schedule V

City of Raton

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

| | <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
|----------------------------|----------------------|------------------|------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents: | | | | |
| Municipal Court | \$ 4,352 | \$ 5,333 | \$ 4,512 | \$ 5,173 |
| Municipal Fines | 5,002 | 41,573 | 40,775 | 5,800 |
| Correction Fees | - | 5,265 | 5,265 | - |
| Fireworks | - | 4,116 | 3,218 | 898 |
| Charity Fund | 4,303 | 3,623 | 3,296 | 4,630 |
| Coke Fund | <u>235</u> | <u>102</u> | <u>93</u> | <u>244</u> |
| <i>Totals</i> | <u>\$ 13,892</u> | <u>\$ 60,012</u> | <u>\$ 57,159</u> | <u>\$ 16,745</u> |
| Liabilities | | | | |
| Due to others: | | | | |
| Municipal Court | \$ 4,352 | \$ 5,333 | \$ 4,512 | \$ 5,173 |
| Municipal Fines | 5,002 | 41,573 | 40,775 | 5,800 |
| Correction Fees | - | 5,265 | 5,265 | - |
| Fireworks | - | 4,116 | 3,218 | 898 |
| Charity Fund | 4,303 | 3,623 | 3,296 | 4,630 |
| Coke Fund | <u>235</u> | <u>102</u> | <u>93</u> | <u>244</u> |
| <i>Totals</i> | <u>\$ 13,892</u> | <u>\$ 60,012</u> | <u>\$ 57,159</u> | <u>\$ 16,745</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Raton
Schedule of Legislative Grants
June 30, 2017

| <u>Project</u> | <u>Agency</u> | <u>Grant #</u> | <u>Effective Date</u> | <u>Reversion Date</u> |
|-------------------------|---------------|----------------|-----------------------|-----------------------|
| Lake Maloya Dam Project | OSE | 14-1594 | 10/07/13 | |

Grand Totals

See independent auditors' report.

| Original Amount | Arts in Public Places | Net Amount | Expenditures to Date | Remaining |
|----------------------------|----------------------------------|--------------------------|---------------------------------|-------------------------|
| <u>\$ 300,000</u> | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ 255,871</u> | <u>\$ 44,129</u> |
| <u><u>\$ 300,000</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 300,000</u></u> | <u><u>\$ 255,871</u></u> | <u><u>\$ 44,129</u></u> |

See independent auditors' report.

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COMPLIANCE SECTION



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

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson
New Mexico State Auditor
City Commission
City of Raton
Raton, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of City of Raton (the City) as of and for the year ended June 30, 2017, 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 14, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Raton financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

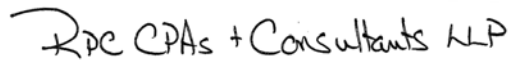
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 finding as item NM 2017-001.

The City's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control 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.



RPC CPAs + Consultants, LLP
Albuquerque, NM
December 14, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

B. CURRENT YEAR FINANCIAL STATEMENT AUDIT FINDINGS

NONE NOTED

C. CURRENT YEAR SECTION 12-6-5 1978 NMSA FINDINGS

FS 2017-001 – Stale Dated Checks – Finding that does not rise to the level of significant deficiency

Condition: The City included a total of forty old outstanding checks in five of its bank reconciliations, as reconciling items with dates ranging from 2001 – 2014, totaling \$5,324.

Criteria: Per Section 6-10-57, NMSA 1978 whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Effect: The City is not in compliance with Section 6-10-57, NMSA 1978.

Cause: The City has made strides towards correcting this issue moving forward however, items dating prior had not been addressed at year end. The City is aware of the issue and will continue its effort to clean up long-outstanding items.

Auditor's Recommendation: We recommend that the stale checks and deposits be researched to determine if they have been paid or received, need to be voided and reissued as soon as possible. Also a procedure should be implemented to track stale dated checks. Additionally, the City should follow the State of New Mexico Escheatment Laws.

View of responsible officials and proposed corrective action: The City of Raton Treasurer will finish researching the outstanding checks and will void and reissue payments to vendors if it is determined that payment is still owed or should be voided and removed from the system. If unable to contact a vendor the City will then follow the State of New Mexico Escheatment Laws. City of Raton checks are imprinted with a message "void after 1 year". The City of Raton's current policy is to notify vendors whose checks have not cleared within 90 days of issuance to verify if payment was received or if payment needs to be reissued. This will insure that the status of the outstanding checks can be determined and resolved in a timely manner. The City Treasurer will keep a log documenting the research performed, contact with vendors and final action taken. All necessary corrective action will be made prior to June 30, 2018.

STATE OF NEW MEXICO
City of Raton
Schedule of Findings and Responses
June 30, 2017

Schedule VII
Page 2 of 2

D. PRIOR YEAR AUDIT FINDINGS

NONE NOTED

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STATE OF NEW MEXICO

City of Raton
Other Disclosures
June 30, 2017

Exit Conference

An exit conference was held on December 13, 2017. In attendance were the following:

Representing City of Raton:

| | |
|------------------------|--------------------------------------|
| Sandy Mantz | Mayor |
| Scott Berry | City Manager |
| Michael Anne Antonucci | Treasurer |
| Dan Campbell | Raton Water Works, Manager |
| Geneva Trujillo | Raton Water Works, Office Manager |
| Allen Litchfield | Raton Water Works, Board Chairman |
| Sandy Chavez | Raton Public Service General Manager |
| Kathy McQueary | Raton Public Service Board Chair |

Representing RPC CPAs + Consultants, LLP:

| | |
|------------------|------------------|
| Ray Roberts, CPA | Managing Partner |
|------------------|------------------|

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of City of Raton from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.