

**State of New Mexico**

**City of Raton**

**ANNUAL FINANCIAL REPORT**

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



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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## **Introductory Section**

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**City of Raton, New Mexico  
Official Roster  
June 30, 2018**

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
James Neil Segotta, Jr.		Mayor
Linde' Schuster		Mayor Pro-Tem
Donald Giacomo		Commissioner
Ronald Chavez		Commissioner
Lori Chatterley		Commissioner
 <u>Administrative Officials</u>		
Scott Berry		City Manager
Michael Anne Antonucci		City Treasurer/Clerk

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## **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, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2018, 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.

## **Emphasis of Matter**

### *Adoption of New Accounting Pronouncement*

As described in Note 11 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$4,613,150) to the June 30, 2017 net position for governmental activities. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Public Employees Retirement Association (PERA) Pension Plan Schedules required by GASB on pages 74 through 85, and the New Mexico Retiree Healthcare (NMRHCA) Plan Schedules required by GASB on pages 86 through 88, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Supporting Schedules required by section 2.2.2 NMAC as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Schedule of Expenditures of Federal Awards, and the Supporting Schedules required by section 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, Schedule of Expenditures of Federal Awards, and the Supporting Schedules required by section 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, 2018, 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 solely 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 effectiveness of the City's 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.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, NM  
December 14, 2018

## **Basic Financial Statements**

**City of Raton, New Mexico**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Raton Public Service Company
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,732,858	\$ 5,140,488	\$ 8,873,346	\$ 862,297
Investments	229,700	-	229,700	-
Accounts receivable, net	1,125,714	954,412	2,080,126	812,210
Inventory	-	223,543	223,543	737,171
Prepaid expense	-	-	-	3,434
<b>Total current assets</b>	<b>5,088,272</b>	<b>6,318,443</b>	<b>11,406,715</b>	<b>2,415,112</b>
Noncurrent assets				
Restricted cash and cash equivalents:				
Debt service and other reserve requirements	101,395	1,003,662	1,105,057	4,387,506
Meter deposits	-	98,008	98,008	133,089
Closure and postclosure care	-	308,052	308,052	-
Restricted investments	431,565	101,936	533,501	386,175
Capital assets	42,029,837	37,416,718	79,446,555	24,827,266
Less: accumulated depreciation	(19,633,407)	(19,125,683)	(38,759,090)	(10,861,300)
<b>Total noncurrent assets</b>	<b>22,929,390</b>	<b>19,802,693</b>	<b>42,732,083</b>	<b>18,872,736</b>
<b>Deferred outflows</b>				
Deferred outflows - pension	1,301,833	466,973	1,768,806	296,491
Deferred outflows - OPEB	54,480	18,451	72,931	16,266
<b>Total deferred outflows</b>	<b>1,356,313</b>	<b>485,424</b>	<b>1,841,737</b>	<b>312,757</b>
<b>Total assets and deferred outflows</b>	<b>\$ 29,373,975</b>	<b>\$ 26,606,560</b>	<b>\$ 55,980,535</b>	<b>\$ 21,600,605</b>

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Raton Public Service Company
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 9,101	\$ 57,425	\$ 66,526	\$ 314,040
Accrued payroll	88,385	51,068	139,453	8,242
Accrued interest	32,248	32,425	64,673	37,929
Meter deposits	-	98,008	98,008	133,089
Accrued compensated absences	69,305	48,666	117,971	64,775
Bonds and loans payable	292,042	258,985	551,027	398,501
<b>Total current liabilities</b>	<b>491,081</b>	<b>546,577</b>	<b>1,037,658</b>	<b>956,576</b>
Noncurrent liabilities				
Accrued compensated absences	222,375	120,738	343,113	142,819
Estimated landfill liability for closure and postclosure care costs	-	1,016,615	1,016,615	-
Bonds and loans payable	3,574,078	3,054,690	6,628,768	4,086,616
Net pension liability	5,611,745	1,893,232	7,504,977	1,235,302
Net OPEB liability	2,901,142	982,501	3,883,643	833,828
<b>Total noncurrent liabilities</b>	<b>12,309,340</b>	<b>7,067,776</b>	<b>19,377,116</b>	<b>6,298,565</b>
<b>Total liabilities</b>	<b>12,800,421</b>	<b>7,614,353</b>	<b>20,414,774</b>	<b>7,255,141</b>
<b>Deferred inflows</b>				
Deferred inflows - pension	767,299	262,874	1,030,173	122,999
Deferred inflows - OPEB	660,292	223,617	883,909	189,777
<b>Total deferred inflows</b>	<b>1,427,591</b>	<b>486,491</b>	<b>1,914,082</b>	<b>312,776</b>
<b>Net position</b>				
Net investment in capital assets	18,530,310	14,977,360	33,507,670	9,480,849
Restricted for:				
Reserve requirements per ordinance	-	-	-	3,718,972
Debt service and other reserve requirements	533,036	1,003,662	1,536,698	801,623
Capital projects	1,197,776	-	1,197,776	-
Special revenue	762,279	-	762,279	-
Unrestricted	(5,877,438)	2,524,694	(3,352,744)	31,244
<b>Total net position</b>	<b>15,145,963</b>	<b>18,505,716</b>	<b>33,651,679</b>	<b>14,032,688</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 29,373,975</b>	<b>\$ 26,606,560</b>	<b>\$ 55,980,535</b>	<b>\$ 21,600,605</b>

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

**City of Raton, New Mexico**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 2,158,436	\$ 1,195,794	\$ 168,285	\$ -
Public safety	4,640,003	610,152	793,473	-
Public works	76,644	-	617,200	1,257,181
Culture and recreation	1,154,478	72,522	20,077	-
Health and welfare	32,984	-	-	-
Interest and other charges	196,998	-	-	-
<b>Total governmental activities</b>	<b>8,259,543</b>	<b>1,878,468</b>	<b>1,599,035</b>	<b>1,257,181</b>
<b>Business-type activities:</b>				
Water and sewer	3,344,539	2,241,300	-	48,866
Sanitation	1,453,485	1,571,345	-	169,797
<b>Total business-type activities</b>	<b>4,798,024</b>	<b>3,812,645</b>	<b>-</b>	<b>218,663</b>
<b>Total primary government</b>	<b>\$ 13,057,567</b>	<b>\$ 5,691,113</b>	<b>\$ 1,599,035</b>	<b>\$ 1,475,844</b>
<b>Component unit:</b>				
Raton Public Service	\$ 6,284,356	\$ 6,336,703		

**General revenues and transfers**

Taxes
Investment income
Miscellaneous income
Gain on sale of asset
Transfers
<b>Total general revenues and transfers</b>
<b>Change in net position</b>
Net position - beginning, as originally stated
Net position - restatements (note 12)
<b>Net position - beginning, as restated</b>
<b>Net position - ending</b>

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



<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Raton Public Service Company</b>
\$ (794,357)	\$ -	\$ (794,357)	\$ -
(3,236,378)	-	(3,236,378)	-
1,797,737	-	1,797,737	-
(1,061,879)	-	(1,061,879)	-
(32,984)	-	(32,984)	-
(196,998)	-	(196,998)	-
(3,524,859)	-	(3,524,859)	-
-	(1,054,373)	(1,054,373)	-
-	287,657	287,657	-
-	(766,716)	(766,716)	-
(3,524,859)	(766,716)	(4,291,575)	-
-	-	-	52,347
4,534,675	1,209,008	5,743,683	-
56,240	58,358	114,598	73,729
93,427	56,469	149,896	-
10,725	105,999	116,724	-
(46,402)	46,402	-	-
4,648,665	1,476,236	6,124,901	73,729
1,123,806	709,520	1,833,326	126,076
17,468,252	18,963,251	36,431,503	14,897,068
(3,446,095)	(1,167,055)	(4,613,150)	(990,456)
14,022,157	17,796,196	31,818,353	13,906,612
\$ 15,145,963	\$ 18,505,716	\$ 33,651,679	\$ 14,032,688

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

**City of Raton, New Mexico**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Airport Capital	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,359,835	\$ -	\$ 1,420,161	\$ 3,779,996
Investments	-	-	661,265	661,265
Accounts receivable, net	679,957	-	426,077	1,106,034
<b>Total assets</b>	<b>\$ 3,039,792</b>	<b>\$ -</b>	<b>\$ 2,507,503</b>	<b>\$ 5,547,295</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 9,101	\$ 9,101
Accrued payroll	82,923	-	5,462	88,385
<b>Total liabilities</b>	<b>82,923</b>	<b>-</b>	<b>14,563</b>	<b>97,486</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	130,111	-	-	130,111
<b>Total deferred inflows of resources</b>	<b>130,111</b>	<b>-</b>	<b>-</b>	<b>130,111</b>
<b>Fund balances</b>				
<b>Spendable:</b>				
<b>Restricted for:</b>				
Public safety	-	-	516,745	516,745
Culture and recreation	-	-	156,483	156,483
Health and welfare	-	-	88,900	88,900
Capital acquisitions and improvements	-	-	1,197,776	1,197,776
Debt service	-	-	533,036	533,036
Unassigned	2,826,758	-	-	2,826,758
<b>Total fund balances</b>	<b>2,826,758</b>	<b>-</b>	<b>2,492,940</b>	<b>5,319,698</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,039,792</b>	<b>\$ -</b>	<b>\$ 2,507,503</b>	<b>\$ 5,547,295</b>

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

**City of Raton, New Mexico**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2018**

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

Fund balances - total governmental funds	\$ 5,319,698
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	22,396,430
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	130,111
Deferred outflows and inflows of resources related to pensions are applicable:	
Deferred outflows - pension (note 10)	1,301,833
Deferred inflows - pension (note 10)	(767,299)
Deferred outflows - OPEB (note 11)	54,480
Deferred inflows - OPEB (note 11)	(660,292)
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.	73,937
Some liabilities, including bonds payable, the net pension liability, net OPEB liability compensated absences and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(291,680)
Accrued interest payable	(32,248)
Bonds and loans payable	(3,866,120)
Net pension liability	(5,611,745)
Net OPEB liability	(2,901,142)
Total net position - governmental activities	\$ 15,145,963

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

**City of Raton, New Mexico**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Airport Capital	Nonmajor Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 3,656,112	\$ -	\$ 849,550	\$ 4,505,662
Intergovernmental revenue:				
Federal operating grants	-	-	145,525	145,525
State operating grants	179,809	-	1,273,701	1,453,510
Federal capital grants	-	615,130	27,488	642,618
State capital grants	-	421,818	192,745	614,563
Charges for services	675,654	-	78,042	753,696
License and fees	103,122	-	12,204	115,326
Fines and forfeits	23,394	-	-	23,394
Investment income	29,164	352	26,724	56,240
Miscellaneous	71,810	-	21,617	93,427
<b>Total revenues</b>	<b>4,739,065</b>	<b>1,037,300</b>	<b>2,627,596</b>	<b>8,403,961</b>
<b>Expenditures</b>				
Current:				
General government	771,259	-	-	771,259
Public safety	3,249,270	-	323,646	3,572,916
Public works	8,663	-	57,197	65,860
Culture and recreation	209,953	-	660,878	870,831
Health and welfare	-	-	32,565	32,565
Capital outlay	-	1,114,193	633,273	1,747,466
Debt service:				
Principal	-	-	475,383	475,383
Interest	-	-	184,008	184,008
<b>Total expenditures</b>	<b>4,239,145</b>	<b>1,114,193</b>	<b>2,366,950</b>	<b>7,720,288</b>
Excess (deficiency) of revenues over expenditures	499,920	(76,893)	260,646	683,673
Other financing sources (uses)				
Proceeds from the sale assets	130	-	10,595	10,725
Transfers in	253,795	76,893	1,166,387	1,497,075
Transfers (out)	(199,386)	(134,158)	(1,136,757)	(1,470,301)
Bond proceeds	-	-	82,620	82,620
<b>Total other financing sources (uses)</b>	<b>54,539</b>	<b>(57,265)</b>	<b>122,845</b>	<b>120,119</b>
<b>Net change in fund balances</b>	<b>554,459</b>	<b>(134,158)</b>	<b>383,491</b>	<b>803,792</b>
Fund balances - beginning	2,272,299	134,158	2,109,449	4,515,906
<b>Fund balances - end of year</b>	<b>\$ 2,826,758</b>	<b>\$ -</b>	<b>\$ 2,492,940</b>	<b>\$ 5,319,698</b>

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

**City of Raton, New Mexico**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$	803,792
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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		1,747,466
Depreciation expense		(1,378,977)
Transfer of capital assets to Business-Type Activities		(73,176)

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		(29,013)
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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		14,976
Increase in accrued interest		(12,990)
Principal payments on bonds and loans payable		475,383
Loan proceeds		(82,620)

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.

65,339

Governmental funds report the City's pension contributions as expenditures.

However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:

City pension contribution		318,360
Pension expense		(718,356)
City OPEB contribution		54,480
OPEB expense		(60,858)

Change in net position of governmental activities	\$	1,123,806
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*The accompanying notes are an integral part of these financial statements.*

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**City of Raton, New Mexico**  
**General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 671,211	\$ 671,211	\$ 676,642	\$ 5,431
Gross receipts	2,711,788	2,711,788	2,777,566	65,778
Franchise tax	203,000	203,000	191,771	(11,229)
Intergovernmental income:				
State operating grants	253,755	254,755	171,786	(82,969)
Charges for services	608,562	608,562	675,654	67,092
Licenses and fees	103,507	103,507	103,122	(385)
Fines and forfeitures	25,000	25,000	23,394	(1,606)
Investment income	6,100	6,100	29,164	23,064
Miscellaneous	44,150	44,150	79,057	34,907
<b>Total revenues</b>	<b>4,627,073</b>	<b>4,628,073</b>	<b>4,728,156</b>	<b>100,083</b>
<b>Expenditures</b>				
Current:				
General government	865,252	885,053	771,648	113,405
Public safety	3,519,335	3,561,299	3,262,282	299,017
Public works	174,414	152,914	8,663	144,251
Culture and recreation	214,465	218,000	209,953	8,047
<b>Total expenditures</b>	<b>4,773,466</b>	<b>4,817,266</b>	<b>4,252,546</b>	<b>564,720</b>
Excess (deficiency) of revenues over expenditures	(146,393)	(189,193)	475,610	664,803
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	(32,443)	23,288	-	(23,288)
Proceeds from sale of assets	30,000	30,000	130	(29,870)
Transfers in	402,028	428,796	253,795	(175,001)
Transfers (out)	(253,192)	(292,891)	(199,386)	93,505
<b>Total other financing sources (uses)</b>	<b>146,393</b>	<b>189,193</b>	<b>54,539</b>	<b>(134,654)</b>
Net change in fund balance	-	-	530,149	530,149
Fund balances - beginning of year	-	-	1,829,686	1,829,686
Fund balance - end of year	\$ -	\$ -	\$ 2,359,835	\$ 2,359,835
Net change in fund balance (non-GAAP budgetary basis)				\$ 530,149
Adjustments to revenues for taxes and state operating grants				10,909
Adjustments to expenditures for salaries, professional services and supplies				13,401
Net change in fund balance (GAAP basis)				\$ 554,459

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

**City of Raton, New Mexico**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Sanitation	Total	Insurance Reserve
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,001,217	\$ 1,139,271	\$ 5,140,488	\$ 54,257
Accounts receivable, net	725,122	229,290	954,412	19,680
Inventory	223,543	-	223,543	-
Total current assets	4,949,882	1,368,561	6,318,443	73,937
Noncurrent assets				
Restricted cash and cash equivalents				
Debt service	1,001,374	2,288	1,003,662	-
Meter deposits	98,008	-	98,008	-
Closure and postclosure care	-	308,052	308,052	-
Restricted investments	-	101,936	101,936	-
Capital assets	35,483,395	1,933,323	37,416,718	-
Accumulated depreciation	(17,768,359)	(1,357,324)	(19,125,683)	-
Total noncurrent assets	18,814,418	988,275	19,802,693	-
<b>Deferred outflows of resources</b>				
Deferred outflows - pension	295,640	171,333	466,973	-
Deferred outflows - OPEB	12,660	5,791	18,451	-
Total deferred outflows of resources	308,300	177,124	485,424	-
Total assets and deferred outflows of resources	\$ 24,072,600	\$ 2,533,960	\$ 26,606,560	\$ 73,937

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



	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>	<b>Activities Insurance Reserve</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 47,903	\$ 9,522	\$ 57,425	\$ -
Accrued payroll expenses	30,594	20,474	51,068	-
Accrued interest	30,585	1,840	32,425	-
Meter deposits	98,008	-	98,008	-
Accrued compensated absences	32,561	16,105	48,666	-
Bonds and loans payable	155,385	103,600	258,985	-
<b>Total current liabilities</b>	<b>395,036</b>	<b>151,541</b>	<b>546,577</b>	<b>-</b>
Noncurrent liabilities				
Accrued compensated absences	81,013	39,725	120,738	-
Estimated landfill liability for closure and postclosure care costs	-	1,016,615	1,016,615	-
Bonds and loans payable	2,618,890	435,800	3,054,690	-
Net pension liability	1,265,691	627,541	1,893,232	-
Net OPEB liability	674,140	308,361	982,501	-
<b>Total noncurrent liabilities</b>	<b>4,639,734</b>	<b>2,428,042</b>	<b>7,067,776</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,034,770</b>	<b>2,579,583</b>	<b>7,614,353</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Deferred inflows - pension	164,773	98,101	262,874	-
Deferred inflows - OPEB	153,434	70,183	223,617	-
<b>Total deferred inflows of resources</b>	<b>318,207</b>	<b>168,284</b>	<b>486,491</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	14,940,761	36,599	14,977,360	-
Restricted for debt service	1,001,374	2,288	1,003,662	-
Unrestricted	2,777,488	(252,794)	2,524,694	73,937
<b>Total net position</b>	<b>18,719,623</b>	<b>(213,907)</b>	<b>18,505,716</b>	<b>73,937</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 24,072,600</b>	<b>\$ 2,533,960</b>	<b>\$ 26,606,560</b>	<b>\$ 73,937</b>

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

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**City of Raton, New Mexico**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-Type Activities - Enterprise Funds			Governmental
	Water and			Insurance
	Sewer	Sanitation	Total	Reserve
Operating revenues				
Charges for services	\$ 2,241,300	\$ 1,571,345	\$ 3,812,645	\$ 985,095
<b>Total operating revenues</b>	<b>2,241,300</b>	<b>1,571,345</b>	<b>3,812,645</b>	<b>985,095</b>
Operating expenses				
Personnel services	1,308,371	759,802	2,068,173	-
Travel and per diem	32,515	-	32,515	-
Training	1,994	-	1,994	-
Utilities	123,426	219,649	343,075	-
Contractual	18,503	152,751	171,254	-
Supplies	189,152	3,052	192,204	-
Repairs and maintenance	84,557	146,840	231,397	-
Telephone	9,195	-	9,195	-
Franchise fee	224,691	-	224,691	-
Insurances	37,479	-	37,479	920,533
Dues and subscriptions	9,829	-	9,829	-
Other operating	75,856	54,226	130,082	-
Gross receipts taxes	-	69,494	69,494	-
Depreciation	1,097,792	36,630	1,134,422	-
<b>Total operating expenses</b>	<b>3,213,360</b>	<b>1,442,444</b>	<b>4,655,804</b>	<b>920,533</b>
<b>Operating income (loss)</b>	<b>(972,060)</b>	<b>128,901</b>	<b>(843,159)</b>	<b>64,562</b>
Non-operating revenues (expenses)				
Interest expense	(131,179)	(11,041)	(142,220)	-
Gross receipts taxes	1,209,008	-	1,209,008	-
Investment income	38,734	19,624	58,358	777
Miscellaneous income	46,832	9,637	56,469	-
Proceeds from sale of asset	-	105,999	105,999	-
<b>Total non-operating revenues (expenses)</b>	<b>1,163,395</b>	<b>124,219</b>	<b>1,287,614</b>	<b>777</b>
<b>Income (loss) before contributions and transfers</b>	<b>191,335</b>	<b>253,120</b>	<b>444,455</b>	<b>65,339</b>
Capital grants	48,866	169,797	218,663	-
Transfers in	30,000	87,895	117,895	-
Transfers (out)	(30,000)	(41,493)	(71,493)	-
<b>Change in net position</b>	<b>240,201</b>	<b>469,319</b>	<b>709,520</b>	<b>65,339</b>
Total net position, beginning as originally stated	19,280,193	(316,942)	18,963,251	8,598
Restatements (note 12)	(800,771)	(366,284)	(1,167,055)	-
<b>Total net position, beginning, as restated</b>	<b>18,479,422</b>	<b>(683,226)</b>	<b>17,796,196</b>	<b>8,598</b>
<b>Total net position, end of year</b>	<b>\$ 18,719,623</b>	<b>\$ (213,907)</b>	<b>\$ 18,505,716</b>	<b>\$ 73,937</b>

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

**City of Raton, New Mexico**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Enterprise Funds			Governmental
	Water and Sewer	Sanitation	Total	Activities Insurance Reserve
Cash flows from operating activities				
Cash received from user charges and others	\$ 2,109,254	\$ 1,465,319	\$ 3,574,573	\$ 965,415
Cash payments to employees for services	(1,209,280)	(705,488)	(1,914,768)	-
Cash payments to suppliers for goods and services	(822,463)	(643,923)	(1,466,386)	(920,533)
Net cash provided by operating activities	77,511	115,908	193,419	44,882
Cash flows from noncapital financing activities				
Gross receipts taxes	1,209,008	-	1,209,008	-
Miscellaneous income	46,832	9,637	56,469	-
Transfers and interfund activity	-	(26,774)	(26,774)	-
Net cash provided by noncapital financing activities	1,255,840	(17,137)	1,238,703	-
Cash flows from investing activities				
Reclassification from cash to investments	-	481,553	481,553	-
Interest on investments	38,734	19,624	58,358	777
Net cash provided by investing activities	38,734	501,177	539,911	777
Cash flows from capital and related financing activities				
Acquisition of capital assets	(461,171)	(169,796)	(630,967)	-
Capital grants	48,866	169,797	218,663	-
Interest paid	(131,179)	(11,041)	(142,220)	-
Cash provided from sale of capital assets	-	105,999	105,999	-
Cash payments for landfill closure and postclosure costs	-	(14,719)	(14,719)	-
Principal payments on bonds, loans, and notes payable	(330,545)	(101,700)	(432,245)	-
Net cash (used) by capital and related financing activities	(874,029)	(21,460)	(895,489)	-
Net increase in cash and cash equivalents	498,056	578,488	1,076,544	45,659
Cash and cash equivalents - beginning of year	4,602,543	871,123	5,473,666	8,598
Cash and cash equivalents - end of year	\$ 5,100,599	\$ 1,449,611	\$ 6,550,210	\$ 54,257

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

	Enterprise Funds			Governmental
	Water and Sewer	Sanitation	Total	Activities Insurance Reserve
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (972,060)	\$ 128,901	\$ (843,159)	\$ 64,562
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,097,792	36,630	1,134,422	-
Noncash pension expense	26,803	12,260	39,063	-
Noncash OPEB expense	91,891	42,030	133,921	-
Changes in assets, liabilities and deferred outflows of resources:				
Receivables	(125,106)	(106,026)	(231,132)	(19,680)
Deferred outflows - subsequent contributions	(10,738)	(4,909)	(15,647)	-
Accounts payable	(15,266)	2,089	(13,177)	-
Accrued payroll expenses	1,860	4,933	6,793	-
Accrued compensated absences	(10,725)	-	(10,725)	-
Meter deposits	(6,940)	-	(6,940)	-
<b>Net cash provided by operating activities</b>	<b>\$ 77,511</b>	<b>\$ 115,908</b>	<b>\$ 193,419</b>	<b>\$ 44,882</b>

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

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**City of Raton, New Mexico**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2018**

Current Assets		
Cash and cash equivalents	\$	18,632
<hr/>		
Total assets	\$	18,632
<hr/> <hr/>		
Current Liabilities		
Due to others	\$	18,632
<hr/>		
Total liabilities	\$	18,632
<hr/> <hr/>		

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

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**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.

**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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*A. Financial Reporting Entity (Continued)*

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.

*Discretely Presented Component Unit*

*Raton Public Service Company (the "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 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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. *Financial Reporting Entity (Continued)*

**Newly Effective Pronouncements:** This fiscal year, the following statements went into effect.

During the year ended June 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four Statements are required to be implemented as of June 30, 2018, if applicable. GASB Statement No. 75 is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or (OPEB)). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. 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. GASB Statement No. 75 has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

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 is presented on a consolidated basis by column 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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 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.

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

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. The City had no tax abatements requiring separate disclosure under GASB Statement No. 77.

**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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

The *Airport Capital Fund* accounts for costs associated with the improvements to airport runways. Funding is provided by FAA federal grants and state funding.

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. 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. All activities necessary to provide such services including capital projects and debt service are accounted for in this 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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

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.

**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.

**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.

**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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

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

<u>Asset Category</u>	<u>Years</u>
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, 2018, 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 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 reported only in the governmental funds balance sheet.



**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 uncollected amount 60 days after June 30, 2018 totaled \$130,111 and is considered unavailable revenue. In addition, the City has two types of items considered to be deferred inflows of resources, all of which arise due to the reporting requirements of GASB 68 and the implementation of GASB 75, and the related net pension liability and net OPEB liability, respectively, and are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future reporting periods. The City has recorded \$1,030,173 for deferred inflows related to pension and \$883,909 for deferred inflows related to OPEB. See notes 10 and 11 for additional information.

**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 two types of items that qualify for reporting in this category, all of which arise due to the reporting requirements of GASB 68 and the implementation of GASB 75, and the related net pension liability and net OPEB liability, respectively and are reported on the Statement of Net Position. Accordingly, the items, deferred outflows - pension of \$1,768,806, and deferred outflows - OPEB of \$72,931 are deferred and recognized as a direct reduction of the net pension liability. These are reported in the Statement of Net Position. See notes 10 and 11 for additional information.

**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.

**Postemployment Benefits Other Than Pensions (OPEB).** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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.

	Leave Accrual Per Month	
	Supervisory and Professional Employees	Non-supervisors
<b>Years of Service:</b>		
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 calendarer 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.

**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 incurred 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, 2018, the City had no nonspendable fund balance categorized in the governmental funds balance sheet.

**Restricted Fund Balance:** At June 30, 2018, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$2,492,940 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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, 2018, the City reported \$401,439 in minimum fund balance.

**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.
- 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 other reserve requirements, and capital projects" are described on page 38 and 93-95.
- c. **Unrestricted Net Position:** Net position that does not meet the definition of "restricted" or "net 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 net pension liability and the related deferred inflows and outflows, the other post-employment benefit liability and the related deferred inflows and outflows, utility receivable allowance for doubtful accounts, 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.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 non - GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Proprietary fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The City does not budget for depreciation expense, only capital outlay.

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

	<b>Excess (Deficiency) of Revenues over Expenditures</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
General Fund	\$ (146,393)	\$ (189,193)
Airport Capital	(320)	(320)
Other Governmental Funds	(399,143)	(428,312)
	<b>Changes in Net Position</b>	
Water and Wastewater	\$ (1,007,540)	\$ (1,007,540)
Sanitation	(203,554)	(322,654)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

**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, 2018.

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 of New Mexico or by the United States government, or by their departments or agencies, and which are either direct obligations of the State of New Mexico 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, 2018, \$9,407,784 of the City's bank balance of \$10,407,784 was exposed to custodial credit risk. No amounts were uninsured and uncollateralized.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

	<b>First National Bank of New Mexico</b>	<b>International Bank</b>	<b>Total</b>
Amount of deposits	\$ 7,806,990	\$ 2,600,794	\$ 10,407,784
FDIC coverage	(500,000)	(500,000)	(1,000,000)
Total uninsured public funds	7,306,990	2,100,794	9,407,784
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	7,306,990	2,100,794	9,407,784
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Collateral requirements (50% of uninsured funds)	\$ 3,653,495	\$ 1,050,397	\$ 4,703,892
Pledged Collateral	7,524,084	3,292,001	10,816,085
Over (Under) collateralized	\$ 3,870,589	\$ 2,241,604	\$ 6,112,193

The collateral pledged is listed on the Schedule of Collateral Pledged by Depository for Public Funds 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 an AA+ or above rating by Standard & Poor at June 30, 2018 and a weighted average maturity of less than 365 days.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

**Reconciliation of Cash and Cash Equivalents**

Cash and cash equivalents per Statement of Net Position	\$ 8,873,346
Investments per Statement of Net Position	229,700
Restricted cash and investments for:	
Debt service per Statement of Net Position	1,105,057
Closure and postclosure care	308,052
Investments per Statement of Net Position	533,501
Meter deposits per Statement of Net Position	98,008
Agency funds cash per Statement of Fiduciary Assets and Liabilities	18,632
<hr/>	
Total cash and cash equivalents	11,166,296
<hr/>	
Add: outstanding checks	759,488
Less: deposits in transit	(354,544)
Less: cash and investments held with NMFA	(1,162,804)
Less: petty cash	(652)
Bank balance of deposits	\$ 10,407,784

**Investments:**

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, 2018 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
U.S. Treasury Money Market Mutual Funds	AA+ **	>365 Days	\$ 533,501
			<hr/> \$ 533,501 <hr/>

\*\* Based on Standard & Poor's Rating



**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

**Fair Value Measurement**

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Money				
Market Mutual Funds	\$ 533,501	\$ -	\$ -	\$ 533,501

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 4: RECEIVABLES**

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

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property taxes	\$ 155,519	\$ -	\$ 155,519
Other taxes:			
Gross receipts taxes	474,768	179,366	654,134
Franchise taxes	39,361	-	39,361
Lodgers taxes	-	64,235	64,235
Municipal Court	6,203	-	6,203
Other taxes	2,286	-	2,286
Due from other governments:			
State	1,820	172,595	174,415
Federal	-	9,881	9,881
<b>Totals</b>	<b>\$ 679,957</b>	<b>\$ 426,077</b>	<b>\$ 1,106,034</b>

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

	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
Utility fees	\$ 550,300	\$ 229,290	\$ 779,590
Less: allowance for uncollectible accounts	(26,138)	-	(26,138)
Taxes:			
Gross receipts taxes	200,960	-	200,960
<b>Totals</b>	<b>\$ 725,122</b>	<b>\$ 229,290</b>	<b>\$ 954,412</b>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At June 30, 2018, 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:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
General Fund	Lodgers' Tax 2% Capital Projects	\$ 35,000
General Fund	Library Grant Fund	8,422
General Fund	Juvenile Justice Grant	7,954
General Fund	Airport Capital	134,158
General Fund	Historic Building	26,768
General Fund	Sanitation	41,493
Recreation Fund	General Fund	63,000
Recreation Fund	Swim Pool Rec Cap Projects	6,360
Lodger's Tax 2% Capital Project	Lodger's Tax Fund	263,585
Law Enforcement Fund	NMFA Loan Police Vehicles	103
Library Grant Fund	General Fund	9,659
Juvenile Justice Grant	General Fund	9,881
ARRA OJP	General Fund	13,185
Shuler LEDA	Lodgers' Tax 2% Capital Projects	20,215
Airport Capital	General Fund	76,893
NMDOT	Street Improvement Cap Projects	50,000
Historic Buildings	General Fund	26,768
NMFA Fire Loan	Fire Protection Fund	82,031
Recreation Center	Swim Pool Rec Cap Projects	418,992
Aquatic Center	Swim Pool Rec Cap Projects	172,608
Sanitation	Environmental GRT	14,719
ARRA CWSRF	Water and Wastewater	30,000
Sanitation	Governmental Activities	73,176
Water and Wastewater	ARRA CWSRF	30,000
		<b>\$ 1,614,970</b>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 6: CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land, Artwork and Construction in Progress are not subject to depreciation.

**Governmental Activities:**

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 685,779	\$ -	\$ -	\$ -	\$ 685,779
Artwork	713,750	-	-	-	713,750
Construction in progress	12,319	13,647	-	-	25,966
	<u>1,411,848</u>	<u>13,647</u>	<u>-</u>	<u>-</u>	<u>1,425,495</u>
Capital assets being depreciated:					
Buildings	17,388,800	333,088	-	-	17,721,888
Furniture and equipment	1,675,526	36,944	(10,140)	(34,035)	1,668,295
Improvements	16,026,906	1,243,366	-	-	17,270,272
Vehicles	4,112,932	120,421	(131,975)	(157,491)	3,943,887
	<u>39,204,164</u>	<u>1,733,819</u>	<u>(142,115)</u>	<u>(191,526)</u>	<u>40,604,342</u>
Total capital assets	<u>40,616,012</u>	<u>1,747,466</u>	<u>(142,115)</u>	<u>(191,526)</u>	<u>42,029,837</u>
Accumulated depreciation:					
Buildings	(5,088,728)	(498,332)	-	-	(5,587,060)
Furniture and equipment	(1,466,074)	(43,765)	10,140	21,276	(1,478,423)
Improvements	(8,503,014)	(666,849)	-	-	(9,169,863)
Vehicles	(3,457,079)	(170,031)	131,975	97,074	(3,398,061)
Total accumulated depreciation	<u>(18,514,895)</u>	<u>(1,378,977)</u>	<u>142,115</u>	<u>118,350</u>	<u>(19,633,407)</u>
Total capital assets, net	<u>\$ 22,101,117</u>	<u>\$ 368,489</u>	<u>\$ -</u>	<u>\$ (73,176)</u>	<u>\$ 22,396,430</u>

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the governmental activities as follows:

General government	\$ 509,719
Public safety	599,748
Culture and recreation	261,892
Public Works	7,618
<b>Total</b>	<u><u>\$ 1,378,977</u></u>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 6: CAPITAL ASSETS (Continued)**

**Business-type Activities:**

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 1,218,366	\$ -	\$ -	\$ -	\$ 1,218,366
Construction in progress	1,826,013	493,442	-	-	2,319,455
	3,044,379	493,442	-	-	3,537,821
Capital assets being depreciated:					
Buildings	185,000	-	-	-	185,000
Equipment	2,588,651	11,387	(228,484)	34,035	2,405,589
Land improvements	2,950,930	126,138	(25,080)	-	3,051,988
Vehicles	591,400	-	(58,000)	157,491	690,891
Infrastructure	27,545,429	-	-	-	27,545,429
	33,861,410	137,525	(311,564)	191,526	33,878,897
Total capital assets	36,905,789	630,967	(311,564)	191,526	37,416,718
Accumulated depreciation:					
Buildings	(101,638)	(4,730)	-	-	(106,368)
Equipment	(2,099,741)	(87,996)	253,564	-	(1,934,173)
Land improvements	(466,825)	(185,367)	-	(21,276)	(673,468)
Vehicles	(582,942)	(1,750)	58,000	-	(526,692)
Infrastructure	(14,933,329)	(854,579)	-	(97,074)	(15,884,982)
Total accumulated depreciation	(18,184,475)	(1,134,422)	311,564	(118,350)	(19,125,683)
Total capital assets, net	\$ 18,721,314	\$ (503,455)	\$ -	\$ 73,176	\$ 18,291,035

During the fiscal year ended June 30, 2018, the City transferred equipment from the governmental activities to the sanitation fund. Depreciation expense for business-type activities is reported in the following funds on the statement of revenues, expenses, and changes in net position:

Water/Wastewater	\$ 1,097,792
Sanitation	36,630
<b>Total</b>	<b>\$ 1,134,422</b>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7: LONG-TERM DEBT**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities as follows.

**Governmental Activities**

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Bonds and loans payable	\$ 4,258,883	\$ 82,620	\$ 475,383	\$ 3,866,120	\$ 292,042
Compensated absences	306,656	194,491	209,467	291,680	69,305
<b>Total long-term debt</b>	<b>\$ 4,565,539</b>	<b>\$ 277,111</b>	<b>\$ 684,850</b>	<b>\$ 4,157,800</b>	<b>\$ 361,347</b>

Loans outstanding for governmental activities at June 30, 2018 consisted of the following loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018	Pledged Revenues
NMFA-Recreation Center Loan	4/20/2007	5/1/2032	3.68%	\$ 3,248,772	\$ 1,689,824	Gross receipts taxes
NMFA-Aquatics Center Loan	1/16/2009	5/1/2033	3.32%	2,410,000	1,860,000	Gross receipts taxes
NMFA-Fire Equipment Loan	11/1/2010	5/1/2021	2.43%	643,750	233,676	Fire protection revenues
NMFA - PPRF - 4429	03/09/18	05/01/22	1.00%	82,620	82,620	Law Enforcement Protection Fund revenues
<b>Total</b>					<b>\$ 3,866,120</b>	

The annual requirements to amortize the loans payable for governmental activities as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 109,048	\$ 8,837	\$ 117,885
2020	87,396	7,661	95,057
2021	84,800	5,198	89,998
2022	86,900	4,366	91,266
2023	89,200	2,870	92,070
2024-2028	45,900	748	46,648
2029-2031	45,900	748	46,648
	<b>\$ 549,144</b>	<b>\$ 30,428</b>	<b>\$ 579,572</b>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7: LONG-TERM DEBT (Continued)**

**Business-type Activities**

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Bonds payable	\$ 3,065,856	\$ -	\$ 301,325	\$ 2,764,531	\$ 149,937
Loans payable	680,064	-	130,920	549,144	109,048
Estimated landfill liability for closure and postclosure care costs	1,031,334	-	14,719	1,016,615	-
Compensated absences	180,129	136,198	146,923	169,404	48,666
<b>Total long-term debt</b>	<b>\$ 4,957,383</b>	<b>\$ 136,198</b>	<b>\$ 593,887</b>	<b>\$ 4,499,694</b>	<b>\$ 307,651</b>

Bonds and loans outstanding for business-type activities at June 30, 2018 consisted of the following bonds and loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018	Pledged Revenues
Bonds 2006A	4/18/2006	4/18/2046	4.38%	\$ 2,627,154	\$ 2,227,154	Water and wastewater system revenues
Bonds 2006B	4/18/2006	4/18/2046	4.38%	510,440	435,440	Water and wastewater system revenues
Bonds GRT Bonds Series 1982	3/16/1982	1/1/2022	5.00%	4,550,000	101,937	Water and wastewater system revenues
NMFA-Solid Waste Equipment Loan	5/31/2013	5/1/2024	1.15%	1,036,400	539,400	Sanitation revenues
NMED Waster Water Facility Construction Loan	5/2/2011	10/18/2030	2.00%	115,247	9,744	Water and wastewater system revenues
<b>Total</b>					<b>\$ 3,313,675</b>	

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7: LONG-TERM DEBT (Continued)**

The annual requirements to amortize the bonds payable for business-type activities as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 149,937	\$ 117,828	\$ 267,765
2020	48,000	114,500	162,500
2021	59,000	112,400	171,400
2022	59,000	98,900	157,900
2023	60,000	82,300	142,300
2024-2028	345,000	322,450	667,450
2029-2033	405,000	246,100	651,100
2034-2038	501,000	95,426	596,426
2039-2043	612,000	24,424	636,424
2044-2046	525,594	-	525,594
	<u>\$ 2,764,531</u>	<u>\$ 1,214,328</u>	<u>\$ 3,978,859</u>

The annual requirements to amortize the loans payable for business-type activities as of June 30, 2018, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 109,048	\$ 8,837	\$ 117,885
2020	87,396	7,661	95,057
2021	84,800	5,198	89,998
2022	86,900	4,366	91,266
2023	89,200	2,870	92,070
2024-2028	45,900	748	46,648
2029-2031	45,900	748	46,648
	<u>\$ 549,144</u>	<u>\$ 30,428</u>	<u>\$ 579,572</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, 2018, compensated absences decreased by \$14,976 and \$10,725 from the prior year accrual for governmental activities and business-type activities, respectively. Compensated absences are liquidated by the respective funds in which they are accrued.



**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by 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, 2018.
- B. There were no funds that had excess expenditures over appropriations at June 30, 2018.
- C. The following fund had designated cash appropriations in excess of available balances at June 30, 2018:

	<b>Designated Cash</b>	<b>Beginning of Year Cash and Interfund Receivable Available</b>	<b>Cash Appropriation in excess of Available</b>
ARRA OJP	\$ 15,913	\$ -	\$ 15,913

**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, 2017 available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>.

**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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA FY17 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.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 \$423,468 for the year ended June 30, 2018.

**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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

**NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

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. The City'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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to Fiscal Year 2017 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.

**For PERA Fund Municipal General Division**, at June 30, 2018, the City reported a liability of \$3,304,676 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.2405 percent, which was a decrease from its proportion measured as of June 30, 2016 of 0.001 percent.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

For the year ended June 30, 2018, the City recognized PERA Fund Municipal General Division pension expense of \$448,263. At June 30, 2018, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion	\$ 73,985	\$ 8,500
Differences between expected and actual experience	129,850	168,805
Net difference between projected and actual earnings on pension plan investments	271,130	-
Changes of assumption	152,395	34,149
City of Raton's contributions subsequent to the measurement date	195,368	-
<b>Total</b>	<b>\$ 822,728</b>	<b>\$ 211,454</b>

\$195,368 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 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:

<b>Year ended June 30:</b>		
2019	\$	142,114
2020		309,622
2021		42,954
2022		(78,784)
Thereafter		-

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018, the City reported a liability of \$1,623,362 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.2922 percent, which was a decrease from its proportion measured as of June 30, 2016 of 0.023 percent.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Police Division pension expense of \$180,573. At June 30, 2018, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion	\$ 17,360	\$ 90,641
Differences between expected and actual experience	98,594	303,309
Net difference between projected and actual earnings on pension plan investments	130,740	-
Changes of assumption	96,585	37,749
City of Raton's contributions subsequent to the measurement date	120,196	-
<b>Total</b>	<b>\$ 463,475</b>	<b>\$ 431,699</b>

\$120,196 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 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:

<b>Year ended June 30:</b>	
2018	\$ (25,238)
2019	50,752
2020	(75,707)
2021	(38,227)
Thereafter	-

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018, the City reported a liability of \$2,576,939 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.4504 percent, which was a decrease from its proportion measured as of June 30, 2016 of 0.0119 percent.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Fire Division pension expense of \$334,269. At June 30, 2018, the City reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion	\$ 91,944	\$ 48,189
Differences between expected and actual experience	84,142	322,675
Net difference between projected and actual earnings on pension plan investments	96,736	-
Changes of assumption	101,877	16,156
City of Raton's contributions subsequent to the measurement date	107,904	-
<b>Total</b>	<b>\$ 482,603</b>	<b>\$ 387,020</b>

\$107,904 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 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:

<b>Year ended June 30:</b>	
2018	\$ 47,538
2019	46,387
2020	(78,376)
2021	(27,870)
Thereafter	-

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

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

**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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

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

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

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:

<b>ALL FUNDS - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
<b>Total</b>	<b>100.00%</b>	

**General Information about the Pension Plan**

**Discount rate:** The discount rate used to measure the total pension liability was 7.51 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 7.51% 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.

**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 the City’s net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.



**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City of Raton's proportionate share of the net pension liability	\$ 5,179,515	\$ 3,304,676	\$ 1,745,482

<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City of Raton's proportionate share of the net pension liability	\$ 2,588,813	\$ 1,623,362	\$ 831,068

<b>PERA Fund Municipal Fire Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City of Raton's proportionate share of the net pension liability	\$ 3,453,765	\$ 2,576,939	\$ 1,854,354

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** At June 30, 2018 there were no contributions due and payable to PERA for the City.

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

***General Information about the OPEB***

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

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

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)**

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

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

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

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$72,931 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$3,883,643 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City’s proportion was 0.08570 percent.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)**

For the year ended June 30, 2018, the recognized OPEB expense of \$154,401. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 679,006
Net difference between projected and actual earnings on pension plan investments	-	55,869
City of Raton's contributions subsequent to the measurement date	72,931	-
Difference between expected and actual experience	-	149,034
<b>Total</b>	<b>\$ 72,931</b>	<b>\$ 883,909</b>

Deferred outflows of resources totaling \$72,931 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (187,925)
2020	(187,925)
2021	(187,925)
2022	(187,925)
2023	(132,209)
<b>Total</b>	<b>\$ (883,909)</b>

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)**

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

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

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)**

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

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

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 4,710,799	\$ 3,883,643	\$ 3,234,666

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

1% Decrease	Current Trend Rates	1% Increase
\$ 3,303,306	\$ 3,883,643	\$ 4,336,163

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

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the City did not have amounts payable to the NMRHCA.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 12: RESTATEMENT OF NET POSITION**

The City had a prior period adjustment of (\$4,613,150) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning other post-employment liability of (\$4,686,091) and a beginning deferred outflow of resources for employer contributions subsequent to the measurement date of \$72,941.

	<b>Governmental Activities</b>	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
Beginning Net Position	\$ 17,467,982	\$ 19,280,193	\$ (316,942)	\$ 36,431,233
Restatement	(3,446,095)	(800,771)	(366,284)	(4,613,150)
Beginning Net Position, as restated	\$ 14,021,887	\$ 18,479,422	\$ (683,226)	\$ 31,818,083

**NOTE 13: 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 14: 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 run-off 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, 2018, 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 \$1,016,615.

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 15: RESTRICTED COMPONENTS OF NET POSITION**

The government-wide statement of net position reports \$3,496,753 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 other reserve requirements, and capital projects funds, see page 38 and 93-95.

**NOTE 16: SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2018, which is the date on which the financial statements were issued.

The original filter plant was built in 1947 with improvements in 1984 and 1992. Actual service life for equipment installed at the filter plant is about 20 to 30 years. Equipment in the existing facility is between 24 and almost 70 years old. The existing pumps, filters, flow meters, blowers, SCADA system and chlorination system have exceeded the criteria for short lived assets.

The facility upgrade project will consist of critical upgrades and replacements to improve the existing facility. This includes upgrades to the pretreatment system, the filtration system, the chemical storage and distribution system, the physical plant and the electrical instrumentation and controls. The upgrades would include replacing the existing flocculators, tube settlers and sludge collection system, replacing the existing centrifugal blowers with positive displacement blowers, replacing flow meters and valves, upgrading the control, SCADA and HMI throughout the facility, replacement of the house water system, improvements to site drainage and repair of damaged driveway and flatwork.

The projected timeline for the project is approximately one year, from January 2019 to January 2020. An application for funding was submitted to USDA/RUS and approved a loan for \$1,754,000 and grant for \$829,000. The loan will be scheduled for repayment over a period of 40 years with an anticipated interest rate of 2%. The precise interest rate will be based on the interest rate at which time the loan is closed. USDA requires any loans exceeding \$500,000, loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period. CoBank is approved to provide the interim financing for the City of Raton as an unsecured multiple advance term loan up to \$1,754,000 at a variable interest rate.

**NOTE 17: CONSTRUCTION COMMITMENTS**

The City has multiple construction projects outstanding as of June 30, 2018. Costs left to complete the Solid Waste Transfer Station are \$580,203, the 1<sup>st</sup> Street Great Blocks Project are \$370,054 and the Hospital Drive Reconstruction are \$200,017.

**City of Raton, New Mexico**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 18: 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 19: SUBSEQUENT PRONOUNCEMENTS**

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 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.

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* 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 June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, 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.

In June 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, 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.



## **Required Supplementary Information**

**City of Raton, New Mexico**  
**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\***

	<b>2018</b>	<b>2017</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date</b>	<b>Date</b>
	<b>(As of and for</b>	<b>(As of and for</b>
	<b>the Year Ended</b>	<b>the Year Ended</b>
	<b>June 30, 2017)</b>	<b>June 30, 2016)</b>
City of Raton's proportion of the net pension liability	0.2405%	0.2415%
City of Raton's proportionate share of the net pension liability	\$ 3,304,676	\$ 3,858,358
City of Raton's covered-employee payroll	\$ 2,232,575	\$ 2,190,052
City of Raton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.02%	176.18%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* 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.*

<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date</b>	<b>Date</b>
<b>(As of and for</b>	<b>(As of and for</b>
<b>the Year Ended</b>	<b>the Year Ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.2364%	0.2216%
\$ 2,410,303	\$ 1,728,718
\$ 2,073,010	\$ 1,798,896
116.27%	96.10%
76.99%	81.29%

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

**City of Raton, New Mexico**  
**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\***

	<b>2018</b>	<b>2017</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date</b>	<b>Date</b>
	<b>(As of and for</b>	<b>(As of and for</b>
	<b>the Year Ended</b>	<b>the Year Ended</b>
	<b>June 30, 2017)</b>	<b>June 30, 2016)</b>
City of Raton's proportion of the net pension liability	0.2922%	0.3152%
City of Raton's proportionate share of the net pension liability	\$ 1,623,362	\$ 2,325,640
City of Raton's covered-employee payroll	\$ 606,010	\$ 626,915
City of Raton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.88%	370.97%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* 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.*

<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date</b>	<b>Date</b>
<b>(As of and for</b>	<b>(As of and for</b>
<b>the Year Ended</b>	<b>the Year Ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.3133%	0.3040%
\$ 1,506,522	\$ 991,007
\$ 618,895	\$ 585,530
243.42%	169.25%
76.99%	81.29%

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

**City of Raton, New Mexico**  
**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\***

	<b>2018</b>	<b>2017</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date</b>	<b>Date</b>
	<b>(As of and for</b>	<b>(As of and for</b>
	<b>the Year Ended</b>	<b>the Year Ended</b>
	<b>June 30, 2017)</b>	<b>June 30, 2016)</b>
City of Raton's proportion of the net pension liability	0.4504%	0.4623%
City of Raton's proportionate share of the net pension liability	\$ 2,576,939	\$ 3,084,011
City of Raton's covered-employee payroll	\$ 545,776	\$ 538,923
City of Raton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	472.16%	572.25%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* 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.*

<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date</b>	<b>Date</b>
<b>(As of and for</b>	<b>(As of and for</b>
<b>the Year Ended</b>	<b>the Year Ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.4436%	0.4096%
\$ 2,289,500	\$ 1,709,668
\$ 505,619	\$ 456,169
452.81%	374.79%
76.99%	81.29%

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

**City of Raton, New Mexico**  
**Schedule of Employer Contributions**  
**PERA Municipal General Division**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\***

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 195,368	\$ 201,731
Contributions in relation to the contractually required contribution	(195,368)	(201,731)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered-employee payroll	\$ 2,159,048	\$ 2,232,575
Contributions as a percentage of covered-employee payroll	9.05%	9.04%

\* 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.*



<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 197,549	\$ 187,690
<u>(197,549)</u>	<u>(187,690)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 2,190,052	\$ 2,073,010
9.02%	9.05%

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

**City of Raton, New Mexico**  
**Schedule of Employer Contributions**  
**PERA Municipal Police Division**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\***

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 120,196	\$ 114,649
Contributions in relation to the contractually required contribution	(120,196)	(114,649)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered-employee payroll	\$ 635,958	\$ 606,610
Contributions as a percentage of covered-employee payroll	18.90%	18.90%

\* 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.*

<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 118,487	\$ 116,873
<u>(118,487)</u>	<u>(116,873)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 626,915	\$ 618,895
18.90%	18.88%

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

**City of Raton, New Mexico**  
**Schedule of Employer Contributions**  
**PERA Municipal Fire Division**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\***

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 107,904	\$ 118,160
Contributions in relation to the contractually required contribution	(107,904)	(118,160)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered-employee payroll	\$ 498,406	\$ 545,776
Contributions as a percentage of covered-employee payroll	21.65%	21.65%

\* 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.*

<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
\$ 116,677	\$ 109,391
<u>(116,677)</u>	<u>(109,397)</u>
<u><u>\$ -</u></u>	<u><u>\$ (6)</u></u>
\$ 538,923	\$ 505,619
21.65%	21.64%

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

**City of Raton, New Mexico**  
**Schedule of Employer's Proportionate Share of the Net OPEB Liability**  
**New Mexico Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

	<b>2018</b> <b>Measurement Date</b> <b>(As of and for</b> <b>the Year Ended</b> <b>June 30, 2017)</b>
City of Raton's proportion of the net OPEB liability	0.08570%
City of Raton's proportionate share of the net OPEB liability	\$ 3,883,643
City of Raton's covered-employee payroll	\$ 3,386,112
City of Raton's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	114.69%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

\* 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.*

**City of Raton, New Mexico**  
**Schedule of Employer Contributions**  
**New Mexico Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

		<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contributions	\$	72,931
Contributions in relation to the contractually required contribution		(72,931)
Contribution deficiency (excess)	\$	-
City of Raton's covered-employee payroll	\$	3,386,112
Contributions as a percentage of covered-employee payroll		2.00%

\* 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.*

**City of Raton, New Mexico**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Public Employees Retirement Association (PERA) Plan**

*Changes of benefit terms.* The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 CAFR available at <https://www.saonm.org>

*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://www.nmpera.org/>

**Retiree Health Care Authority (RHCA) Plan**

*Changes of benefit terms.* The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY17 audit available at [http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM\\_RHCA\\_Audited\\_FS\\_6.30.17.pdf](http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.17.pdf).

*Changes of assumptions.* The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at [http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA\\_5507316\\_Final\\_per\\_Auditor\\_update\\_Final\\_Report\\_11.21.17.pdf](http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_update_Final_Report_11.21.17.pdf). See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

*See independent auditors' report.*



## Supplementary Information

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## **Nonmajor Governmental Funds**

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**City of Raton, New Mexico**  
**Nonmajor Governmental Fund Descriptions**  
**June 30, 2018**

**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.

**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.

**City of Raton, New Mexico**  
**Nonmajor Governmental Fund Descriptions**  
**June 30, 2018**

**SPECIAL REVENUE FUNDS (Continued)**

**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.

**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 grant is an OJP COPS Hiring grant to employ a School Resource Officer. 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 (205)** - 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.

**City of Raton, New Mexico**  
**Nonmajor Governmental Fund Descriptions**  
**June 30, 2018**

**CAPITAL PROJECTS FUNDS (Continued)**

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

**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.

**DEBT SERVICE FUNDS**

**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.

**City of Raton, New Mexico**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue</b>		
	<b>Fire Grants</b>	<b>Fire Protection Fund</b>	<b>Recreation Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 63,732	\$ 155,638	\$ 1,107
Investments	-	-	-
Accounts receivable, net	167,936	-	25,120
<b>Total assets</b>	<b>\$ 231,668</b>	<b>\$ 155,638</b>	<b>\$ 26,227</b>
<b>Liabilities</b>			
Accounts payable	\$ 3,444	\$ -	\$ 3,489
Accrued payroll	-	-	5,462
<b>Total liabilities</b>	<b>3,444</b>	<b>-</b>	<b>8,951</b>
<b>Fund balances</b>			
Spendable:			
Restricted for:			
Public safety	228,224	155,638	-
Culture and recreation	-	-	17,276
Health and welfare	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
<b>Total fund balances</b>	<b>228,224</b>	<b>155,638</b>	<b>17,276</b>
<b>Total liabilities and fund balances</b>	<b>\$ 231,668</b>	<b>\$ 155,638</b>	<b>\$ 26,227</b>

*See independent auditors' report.*



Special Revenue						
Lodgers' Tax	Law Enforcement Fund	Emergency Medical Services	Local Government Corrections	Library	Building	
\$ 60,077	\$ 21,459	\$ 13,395	\$ 62,090	\$ 40,966		
-	-	-	-	-	229,700	
64,235	-	-	-	-	-	
<b>\$ 124,312</b>	<b>\$ 21,459</b>	<b>\$ 13,395</b>	<b>\$ 62,090</b>	<b>\$ 270,666</b>		
\$ -	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-		
-	-	-	-	-		
-	21,459	13,395	62,090	-		
124,312	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-	270,666	
-	-	-	-	-	-	
<b>124,312</b>	<b>21,459</b>	<b>13,395</b>	<b>62,090</b>	<b>270,666</b>		
<b>\$ 124,312</b>	<b>\$ 21,459</b>	<b>\$ 13,395</b>	<b>\$ 62,090</b>	<b>\$ 270,666</b>		

See independent auditors' report.

**City of Raton, New Mexico**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue		
	Library Grant Fund	Environmental GRT	Police Money Seizures
<b>Assets</b>			
Cash and cash equivalents	\$ 258	\$ 76,344	\$ 26,058
Investments	-	-	-
Accounts receivable, net	4,659	12,556	-
<b>Total assets</b>	<b>\$ 4,917</b>	<b>\$ 88,900</b>	<b>\$ 26,058</b>
<b>Liabilities</b>			
Accounts payable	\$ 250	\$ -	\$ -
Accrued payroll	-	-	-
<b>Total liabilities</b>	<b>250</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Spendable:			
Restricted for:			
Public safety	-	-	26,058
Culture and recreation	4,667	-	-
Health and welfare	-	88,900	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
<b>Total fund balances</b>	<b>4,667</b>	<b>88,900</b>	<b>26,058</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,917</b>	<b>\$ 88,900</b>	<b>\$ 26,058</b>

*See independent auditors' report.*

Special Revenue						Capital Projects	
Juvenile Justice Grant		ARRA OJP	ARRA CWSRF	Shuler LEDA	Lodgers' Tax 2% Capital		
\$	-	\$	-	\$	10,228	\$	225,094
	-		-		-		-
	9,881		-		-		-
<hr/>							
\$	9,881	\$	-	\$	10,228	\$	225,094
<hr/>							
\$	-	\$	-	\$	-	\$	1,918
	-		-		-		-
	-		-		-		1,918
<hr/>							
	9,881		-		-		-
	-		-		10,228		-
	-		-		-		-
	-		-		-		223,176
	-		-		-		-
	9,881		-		10,228		223,176
<hr/>							
\$	9,881	\$	-	\$	10,228	\$	225,094
<hr/>							

See independent auditors' report.

**City of Raton, New Mexico**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Capital Projects		
	Street Improvement	Swim/Pool Recreation Center Fund	NMDOT
<b>Assets</b>			
Cash and cash equivalents	\$ 394,932	\$ 130,877	\$ 36,435
Investments	-	-	-
Accounts receivable, net	42,406	99,284	-
<b>Total assets</b>	<b>\$ 437,338</b>	<b>\$ 230,161</b>	<b>\$ 36,435</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Spendable:			
Restricted for:			
Public safety	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital acquisitions and improvements	437,338	230,161	36,435
Debt service	-	-	-
<b>Total fund balances</b>	<b>437,338</b>	<b>230,161</b>	<b>36,435</b>
<b>Total liabilities and fund balances</b>	<b>\$ 437,338</b>	<b>\$ 230,161</b>	<b>\$ 36,435</b>

*See independent auditors' report.*

Capital Projects			Debt Service	
Historic Building	Water Capital Project	Depot Improvement Project		Recreation Center
\$ -	\$ -	\$ -	\$ -	92,262
-	-	-	-	205,340
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>297,602</u>
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	297,602
-	-	-	-	297,602
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>297,602</u>

See independent auditors' report.

**City of Raton, New Mexico**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>Debt Service</b>		
	<b>NMFA Loan</b>		
	<b>Aquatic Center</b>	<b>Police Vehicles</b>	<b>NMFA Loan Fire</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,154	\$ -	\$ 4,055
Investments	226,225	-	-
Accounts receivable, net	-	-	-
<b>Total assets</b>	<b>\$ 231,379</b>	<b>\$ -</b>	<b>\$ 4,055</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Spendable:			
Restricted for:			
Public safety	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	231,379	-	4,055
<b>Total fund balances</b>	<b>231,379</b>	<b>-</b>	<b>4,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 231,379</b>	<b>\$ -</b>	<b>\$ 4,055</b>

*See independent auditors' report.*

**Total Nonmajor  
Governmental  
Funds**

\$	1,420,161
	661,265
	426,077
	<hr/>
\$	2,507,503
	<hr/> <hr/>
\$	9,101
	5,462
	<hr/>
	14,563
	<hr/>
	516,745
	156,483
	88,900
	1,197,776
	533,036
	<hr/>
	2,492,940
	<hr/>
\$	2,507,503
	<hr/> <hr/>

*See independent auditors' report.*

**City of Raton, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue		
	Fire Grants	Fire Protection Fund	Recreation Fund
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ 147,311
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	201,620	390,758	-
Federal capital grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	72,522
Licenses and fees	-	-	-
Investment income	-	2,838	103
Miscellaneous income	683	272	-
<b>Total revenues</b>	<b>202,303</b>	<b>393,868</b>	<b>219,936</b>
<b>Expenditures</b>			
Current:			
Public safety	37,638	97,505	-
Public works	-	-	-
Culture and recreation	-	-	300,149
Health and welfare	-	-	-
Capital outlay	66,304	166,656	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<b>Total expenditures</b>	<b>103,942</b>	<b>264,161</b>	<b>300,149</b>
Excess (deficiency) of revenues over expenditures	98,361	129,707	(80,213)
Other financing sources (uses)			
Proceeds from the sale of assets	1,292	-	-
Transfers in	-	-	69,360
Transfers (out)	-	(82,031)	-
Loan proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,292</b>	<b>(82,031)</b>	<b>69,360</b>
Net change in fund balances	99,653	47,676	(10,853)
Fund balances - beginning	128,571	107,962	28,129
Fund balances - end of year	\$ 228,224	\$ 155,638	\$ 17,276

*See independent auditors' report.*



Special Revenue						
Lodgers' Tax	Law Enforcement Fund	Emergency Medical Services	Local Government Corrections	Library Building		
\$ 436,456	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-		
-	26,000	18,046	-	-		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	12,204		
915	291	214	744			3,065
458	-	3,038	-			1,223
437,829	26,291	21,298	12,948			4,288
-	4,728	20,981	3,375			-
-	-	-	-			-
190,233	-	-	-			3,313
-	-	-	-			-
-	86,436	-	-			-
-	-	-	-			-
-	-	-	-			-
190,233	91,164	20,981	3,375			3,313
247,596	(64,873)	317	9,573			975
-	-	9,303	-			-
-	103	-	-			-
(263,585)	-	-	-			-
-	82,620	-	-			-
(263,585)	82,723	9,303	-			-
(15,989)	17,850	9,620	9,573			975
140,301	3,609	3,775	52,517			269,691
\$ 124,312	\$ 21,459	\$ 13,395	\$ 62,090	\$		\$ 270,666

*See independent auditors' report.*

**City of Raton, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue		
	Library Grant Fund	Environmental GRT	Police Money Seizures
<b>Revenues</b>			
Taxes	\$ -	\$ 73,636	\$ -
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	20,077	-	-
Federal capital grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	-	856	332
Miscellaneous income	-	1,958	-
<b>Total revenues</b>	<b>20,077</b>	<b>76,450</b>	<b>332</b>
<b>Expenditures</b>			
Current:			
Public safety	-	-	709
Public works	-	-	-
Culture and recreation	20,069	-	-
Health and welfare	-	32,565	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<b>Total expenditures</b>	<b>20,069</b>	<b>32,565</b>	<b>709</b>
Excess (deficiency) of revenues over expenditures	8	43,885	(377)
<b>Other financing sources (uses)</b>			
Proceeds from the sale of assets	-	-	-
Transfers in	9,659	-	-
Transfers (out)	(8,422)	(14,719)	-
Loan proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,237</b>	<b>(14,719)</b>	<b>-</b>
Net change in fund balances	1,245	29,166	(377)
Fund balances - beginning	3,422	59,734	26,435
<b>Fund balances - end of year</b>	<b>\$ 4,667</b>	<b>\$ 88,900</b>	<b>\$ 26,058</b>

*See independent auditors' report.*

Special Revenue				Capital Projects	
Juvenile Justice Grant	ARRA OJP	ARRA CWSRF	Shuler LEDA	Lodgers' Tax 2% Capital	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
126,551	18,974	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,520	-	-
-	-	-	-	-	-
-	-	-	213	1,971	-
-	-	-	13,258	727	-
126,551	18,974	-	18,991	2,698	-
126,551	32,159	-	-	-	-
-	-	-	-	-	-
-	-	-	-	133,251	-
-	-	-	-	-	-
-	-	-	130,215	-	-
-	-	-	-	-	-
-	-	-	-	-	-
126,551	32,159	-	130,215	133,251	-
-	(13,185)	-	(111,224)	(130,553)	-
-	-	-	-	-	-
9,881	13,185	30,000	20,215	263,585	-
(7,954)	-	(30,000)	-	(55,215)	-
-	-	-	-	-	-
1,927	13,185	-	20,215	208,370	-
1,927	-	-	(91,009)	77,817	-
7,954	-	-	101,237	145,359	-
\$ 9,881	\$ -	\$ -	\$ 10,228	\$ 223,176	-

See independent auditors' report.

**City of Raton, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Capital Projects		
	Street Improvement	Swim/Pool Recreation Center Fund	NMDOT
<b>Revenues</b>			
Taxes	\$ 192,147	\$ -	\$ -
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	-	617,200	-
Federal capital grants	-	-	-
State capital grants	150,000	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	4,161	3,145	82
Miscellaneous income	-	-	-
<b>Total revenues</b>	<b>346,308</b>	<b>620,345</b>	<b>82</b>
<b>Expenditures</b>			
Current:			
Public safety	-	-	-
Public works	8,331	-	-
Culture and recreation	-	13,095	-
Health and welfare	-	-	-
Capital outlay	143,295	-	13,647
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<b>Total expenditures</b>	<b>151,626</b>	<b>13,095</b>	<b>13,647</b>
Excess (deficiency) of revenues over expenditures	194,682	607,250	(13,565)
Other financing sources (uses)			
Proceeds from the sale of assets	-	-	-
Transfers in	-	-	50,000
Transfers (out)	(50,000)	(597,960)	-
Loan proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>(50,000)</b>	<b>(597,960)</b>	<b>50,000</b>
Net change in fund balances	144,682	9,290	36,435
Fund balances - beginning	292,656	220,871	-
<b>Fund balances - end of year</b>	<b>\$ 437,338</b>	<b>\$ 230,161</b>	<b>\$ 36,435</b>

*See independent auditors' report.*

Capital Projects			Debt Service	
Historic Building	Water Capital Project	Depot Improvement Project	Recreation Center	
\$ -	\$ -	\$ -	\$ -	
-	-	-	-	
-	-	-	-	
26,720	-	768	-	
-	42,745	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	4,292	
-	-	-	-	
26,720	42,745	768	4,292	
-	-	-	-	
-	48,866	-	-	
-	-	768	-	
-	-	-	-	
26,720	-	-	-	
-	-	-	326,021	
-	-	-	74,246	
26,720	48,866	768	400,267	
-	(6,121)	-	(395,975)	
-	-	-	-	
26,768	-	-	418,992	
(26,768)	-	-	-	
-	-	-	-	
-	-	-	418,992	
-	(6,121)	-	23,017	
-	6,121	-	274,585	
\$ -	\$ -	\$ -	\$ 297,602	

*See independent auditors' report.*

**City of Raton, New Mexico**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Debt Service</b>		
	<b>Aquatic Center</b>	<b>NMFA Loan Police Vehicles</b>	<b>NMFA Loan Fire</b>
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	-	-	-
Federal capital grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	3,125	-	377
Miscellaneous income	-	-	-
<b>Total revenues</b>	<b>3,125</b>	<b>-</b>	<b>377</b>
<b>Expenditures</b>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	75,000	-	74,362
Interest and fees	102,093	-	7,669
<b>Total expenditures</b>	<b>177,093</b>	<b>-</b>	<b>82,031</b>
Excess (deficiency) of revenues over expenditures	(173,968)	-	(81,654)
Other financing sources (uses)			
Proceeds from the sale of assets	-	-	-
Transfers in	172,608	-	82,031
Transfers (out)	-	(103)	-
Loan proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<b>172,608</b>	<b>(103)</b>	<b>82,031</b>
Net change in fund balances	(1,360)	(103)	377
Fund balances - beginning	232,739	103	3,678
<b>Fund balances - end of year</b>	<b>\$ 231,379</b>	<b>\$ -</b>	<b>\$ 4,055</b>

*See independent auditors' report.*

<b>Total Nonmajor Governmental Funds</b>	
\$	849,550
	145,525
	1,273,701
	27,488
	192,745
	78,042
	12,204
	26,724
	21,617
	<u>2,627,596</u>
	323,646
	57,197
	660,878
	32,565
	633,273
	475,383
	184,008
	<u>2,366,950</u>
	260,646
	10,595
	1,166,387
	(1,136,757)
	82,620
	<u>122,845</u>
	383,491
	2,109,449
\$	<u><u>2,492,940</u></u>

*See independent auditors' report.*

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## **Supporting Schedules**

**City of Raton, New Mexico**  
**Schedule of Deposits and Investment Accounts**  
**June 30, 2018**

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>First National Bank of New Mexico</b>					
General Fund	Checking	1,909,350	88,227	(235,427)	1,762,150
Raton Municipal Court Court Fund	Checking	4,996	762	(114)	5,644
Raton Municipal Court Bond Fund	Checking	2,285	2,290	(5)	4,570
Special Revenue Funds	Checking	670,886	113,376	(101,025)	683,237
Pooled Capital Projects	Checking	36,435	-	-	36,435
GRT Swimming Pool/ Recreation Center Fund	Checking	130,877	-	-	130,877
Waterwaste TRMNT DS	Checking	220,712	-	-	220,712
Wastewater Treatment P&I Acct	Checking	816,282	-	-	816,282
Enterprise Fund/Solid Waste	Checking	544,268	127,243	(55,803)	615,708
Payroll Clearing	Checking	2,188	-	(1,472)	716
Pooled Trust & Agency	Checking	8,419	-	-	8,419
Landfill Trust & Agency	Checking	308,052	-	-	308,052
CD-Library Building Fund	CD	80,000	-	-	80,000
CD-Library Building Fund	CD	149,700	-	-	149,700
RWW Operating	Checking	390,889	13,061	(306,486)	97,464
Water Capital Projects	Checking	156,410	9,585	(14,921)	151,074
SGRT	Checking	1,142,450	-	(18,182)	1,124,268
SGRT B&I	Checking	22,944	-	(22,113)	831
RWW GO Bond	Checking	407	-	-	407
RWW Customer Meter Deposits	Checking	65,323	-	(3,940)	61,383
SGRT B&I Reserve	Checking	1,005	-	-	1,005
CD-Raton Water Depart Capital Imprv	CD	505,689	-	-	505,689
CD-Raton Water Depart Capital Imprv	CD	637,423	-	-	637,423
Total First National Bank of New Mexico		7,806,990	354,544	(759,488)	7,402,046
<b>International Bank</b>					
General Fund-Special Investment	Checking	\$ 527,297	\$ -	\$ -	\$ 527,297
Pooled Special Revenue	Checking	25,000	-	-	25,000
Special Revenue Funds	Checking	564,459	-	-	564,459
RWW- Operating	Checking	418	-	-	418
Certificate of Deposit	CD	377,470	-	-	377,470
Certificate of Deposit	CD	100,106	-	-	100,106
Certificate of Deposit	CD	850,489	-	-	850,489
Certificate of Deposit	CD	155,555	-	-	155,555
Total International Bank		2,600,794	-	-	2,600,794

*See independent auditors' report.*

<b>Bank Name/Account Name</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks</b>	<b>Book Balance</b>
<b>New Mexico Finance Authority</b>					
NMFA Fire Equipment	Trust	\$ 4,068	\$ -	\$ -	\$ 4,068
NMFA Recreation Center	Trust	87,653	-	-	87,653
NMFA Recreation Center - Reserve	Trust	209,949	-	-	209,949
NMFA Aquatic Center	Trust	76	-	-	76
NMFA Aquatic Center - Reserve	Trust	231,303	-	-	231,303
NMFA Police Vehicles	Trust	1,968	-	-	1,968
NMFA Sanitation /Transfer Station - Debt Service	Trust	523,563	-	-	523,563
NMFA Sanitation /Transfer Station - Reserve Funds	Trust	104,224	-	-	104,224
<b>Total New Mexico Finance Authority</b>		<b>1,162,804</b>	<b>-</b>	<b>-</b>	<b>1,162,804</b>
<b>Total deposits*</b>		<b>\$11,570,588</b>	<b>\$ 354,544</b>	<b>\$ (759,488)</b>	<b>\$11,165,644</b>
Add: petty cash					652
<b>Total deposits</b>					<b>\$11,166,296</b>
Deposits per financial statements:					
Cash and cash equivalents per Statement of Net Position					\$ 8,873,346
Investments per Statement of Net Position					229,700
Restricted cash and investments for:					
Debt service per Statement of Net Position					1,105,057
Closure and postclosure care					308,052
Investments per Statement of Net Position					533,501
Meter deposits per Statement of Net Position					98,008
Agency funds cash per Statement of Fiduciary Assets and Liabilities					18,632
<b>Total deposits</b>					<b>\$11,166,296</b>

\*All deposit accounts are interest bearing

*See independent auditors' report.*

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**City of Raton, New Mexico**  
**Schedule of Collateral Pledged by Depository for Public Funds**  
**June 30, 2018**

Name of Depository	Description of Pledged Collateral	Maturity	Account or CUSIP Number	Fair Market Value June 30, 2018	Name and Location of Safekeeper
<b>First National Bank</b>					
	Logan NM SCH DIST #32	4/15/2020	541066BD7	125,276	Federal Home Bank, Irving, Texas
	ABQ NM Gross Receipts LO	7/1/2031	01354MGJ4	480,250	Federal Home Bank, Irving, Texas
	FNA 2012-M12 1A	8/25/2022	3136A77J5	902,252	Federal Home Bank, Irving, Texas
	SBAP 2016-20E 1	5/1/2036	83162CXU2	811,426	Federal Home Bank, Irving, Texas
	SBA POOL#: 521929	7/25/2038	83165ALJ1	204,880	Federal Home Bank, Irving, Texas
	Line of Credit	10/4/2018	3.577E+09	\$ 5,000,000	Federal Home Bank, Dallas, Texas
<b>Total First National Bank</b>				<b>7,524,084</b>	
<b>International Bank</b>					
	FNMA Pool AN9616	6/1/2025	3138LNVJ7	3,292,001	Bankers Bank of the West, Denver, CO
<b>Total International Bank</b>				<b>3,292,001</b>	
<b>Total Pledged Collateral</b>				<b>\$ 10,816,085</b>	

*See independent auditors' report.*

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**City of Raton, New Mexico**  
**Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds**  
**For the Year Ended June 30, 2018**

	June 30, 2017	Additions	Deletions	June 30, 2018
<b>Assets</b>				
Cash and cash equivalents:				
Municipal Court	\$ 5,173	\$ 4,436	\$ 3,964	\$ 5,645
Municipal Fines	5,800	46,022	47,252	4,570
Correction Fees	-	6,162	6,162	-
Governmental GRT Fund	-	41,366	41,366	-
Fireworks	898	1,462	2,360	-
Charity Fund	4,630	5,543	2,004	8,169
RWW Gross Receipts	-	1,173,536	1,173,536	-
Coke Fund	244	4	-	248
<b>Totals</b>	<b>\$ 16,745</b>	<b>\$ 1,278,531</b>	<b>\$ 1,276,644</b>	<b>\$ 18,632</b>

<b>Liabilities</b>				
Due to others:				
Municipal Court	\$ 5,173	\$ 4,436	\$ 3,964	\$ 5,645
Municipal Fines	5,800	46,022	47,252	4,570
Correction Fees	-	6,162	6,162	-
Governmental GRT Fund	-	41,366	41,366	-
Fireworks	898	1,462	2,360	-
Charity Fund	4,630	5,543	2,004	8,169
RWW Gross Receipts	-	1,173,536	1,173,536	-
Coke Fund	244	4	-	248
<b>Totals</b>	<b>\$ 16,745</b>	<b>\$ 1,278,531</b>	<b>\$ 1,276,644</b>	<b>\$ 18,632</b>

*See independent auditors' report.*

**City of Raton, New Mexico**  
**Schedule of Legislative Grants**  
**June 30, 2018**

<b>Project</b>	<b>Agency</b>	<b>Grant #</b>	<b>Effective Date</b>	<b>Reversion Date</b>
Lake Maloya Dam Project	OSE	14-1594	10/07/13	6/30/2018
Street Improvement Project	NMDOT	STB A2553	09/30/16	6/30/2020
<b>Grand Totals</b>				

*See independent auditors' report.*



	<b>Original Amount</b>	<b>Arts in Public Places</b>	<b>Net Amount</b>	<b>Expenditures to Date</b>	<b>Remaining</b>
\$	300,000	\$ -	\$ 300,000	\$ 255,871	\$ 44,129
	150,000	-	150,000	150,000	-
\$	450,000	\$ -	\$ 450,000	\$ 405,871	\$ 44,129

*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 the City of Raton (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2018.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS 2018-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

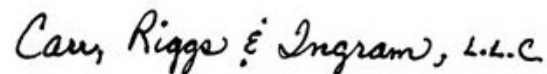
We noted certain other matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items FS 2017-001, NM 2018-001, NM 2018-002, CU NM 2018-001, and CU NM 2018-002.

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carr, Riggs & Ingram, LLC  
Albuquerque, NM  
December 14, 2018

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## **Federal Financial Assistance**

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

Wayne A. Johnson  
New Mexico State Auditor  
The United States Office of Management and Budget and  
City Commission  
City of Raton  
Raton, New Mexico

**Report on Compliance for the Major Federal Program**

We have audited the City of Raton's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.



### ***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

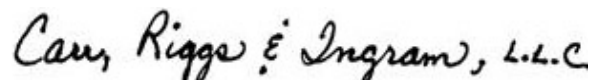
### **Report on Internal Control over Compliance**

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
December 14, 2018

**City of Raton, New Mexico**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<b>Funding Source/Grant or Contact Name</b>	<b>CFDA Number</b>	<b>Pass-Through Grant Number</b>
<b>U.S. Department of Agriculture</b>		
Direct funding		
Rural Business Development Grant	10.351	RO9375455374(6025)/ RO9375455375
<hr/>		
Total U.S. Department of Agriculture		
<hr/>		
<b>U.S. Department of Transportation</b>		
Passed through the NM Department of Transportation		
Highway Safety Improvement Program	20.205	Q690 0000(002)/ 0001(004) & 92D0
Airport Improvement Program (*)	20.106	AIP 3-35-0033-017-2017
<hr/>		
Total U.S. Department of Transportation		
<hr/>		
<b>U.S. Department of Justice</b>		
Direct Funding		
Juvenile Accountability Block Grant	16.523	18-690-14481
COPS Hiring Program	16.710	2013UMWX0134
Traffic Safety Guards	16.607	18-AL-64-078 / 18-OP- RF-078 / 18-ST-RF-078
<hr/>		
Total U.S. Department of Justice		
<hr/>		
Total Federal Financial Assistance		
<hr/>		
(*) Denotes Major Federal Program		

*See independent auditors' report.*  
*See accompanying notes to schedule of expenditures of federal awards.*

<u>Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
\$ 26,720	\$ -	\$ -
26,720	-	-
768	-	-
615,130	-	-
615,898	-	-
126,551	-	-
18,974	-	-
5,350	-	-
150,875	-	-
\$ 793,493	\$ -	\$ -

*See independent auditors' report.  
See accompanying notes to schedule of expenditures of federal awards.*

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**City of Raton, New Mexico**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of City of Raton (the "City") and is presented on a modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements except for the proprietary funds. The information in the Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

**2. Loans**

The City had no federal loans for the year ended June 30, 2018.

**3. 10% de minimus Indirect Cost Rate**

The City did not elect to use the allowed 10% indirect cost rate.

**4. Federally Funded Insurance**

The City has no federally funded insurance.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 793,493
Total expenditures funded by other sources	12,502,862
<hr/>	
Total expenditures	\$ 13,296,355
<hr/> <hr/>	

*See independent auditors' report.*

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**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS:**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | None noted |

*Federal Awards:*

- | 1. Type of auditors’ report issued on compliance for major programs   | Unmodified                  |                 |        |                             |  |
|---|-----------------------------|-----------------|--------|-----------------------------|--|
| 2. Internal control over major programs:  |                             |                 |        |                             |  |
| a. Material weaknesses identified?  | None noted                  |                 |        |                             |  |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None noted                  |                 |        |                             |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?   | None noted                  |                 |        |                             |  |
| 4. Identification of major programs:  |                             |                 |        |                             |  |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA<br/>Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20.106</td> <td style="text-align: center;">Airport Improvement Program</td> </tr> </tbody> </table> | CFDA<br>Number              | Federal Program | 20.106 | Airport Improvement Program |  |
| CFDA<br>Number  | Federal Program             |                 |        |                             |  |
| 20.106  | Airport Improvement Program |                 |        |                             |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:   | \$750,000                   |                 |        |                             |  |
| 6. Auditee qualified as low-risk auditee?   | No                          |                 |        |                             |  |

**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FS 2018-001 — Deficiencies in Internal Controls Water Department Inventory (Significant Deficiency)**

*Condition:* The City's controls over inventory are not suitably designed as follows:

- The City does not have a written policy for safeguarding and tracking inventory, giving employees with access to the inventory warehouse the ability to remove inventory items without filling out job tickets or updating the inventory list.
- Inventory counts occur only at year end.
- The City includes inventory ordered and not yet received to be included as part of the inventory list.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring. Inventory is easy to misappropriate and should be monitored closely.

*Effect:* Not consistently enforcing procedures over the areas described above could result in an inaccurate inventory listing, leading to a misstatement of the inventory balance. Additionally, misappropriation of assets could result.

*Cause:* The City does not have written procedures over removal of inventory, inventory counts, and maintenance of the inventory listing.

*Auditors' Recommendations:* The City should implement a written policy to review job tickets daily and implement a policy to perform inventory counts at least quarterly and reconciling any discrepancies. Additionally, the employees responsible for inventory tracking should be trained to implement the policy.

*Agency's Response:* Procedures for tracking inventory has been in place for over a decade, based on previous auditor recommendations and includes a Quick Books program utilized by the Raton Water Works Construction & Maintenance Foreman and/or Assistant Foreman. Procedures include adding new inventory as it comes in, removing inventory items by job order and an annual physical inventory audit of components, which is reviewed by RWW Procurement Officer and General Manager. The annual physical inventory only includes items in stock as of the end of the fiscal year. All component purchases are reviewed by the Procurement Officer and General Manager. C&M management maintains all job orders, tracking all components installed and jobs are also discussed weekly with General Manager.

RWW management immediately initiated a quarterly review and spot check of inventoried stock by C&M management staff upon recommendation of auditors in September 2018. A written policy was drafted to address procedures over removal of inventory, inventory counts and maintenance of the inventory listing for safeguarding and tracking inventory.



**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION III – FEDERAL AWARD FINDINGS**

None noted.

**SECTION IV – SECTION 12-6-5 NMSA 1978 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 ten old outstanding checks in two of its bank reconciliations, as reconciling items with dates ranging from 2003 – 2014, totaling \$460. The dollar amount of stale dated checks decreased from \$5,324 in the prior year.

*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.

*Agency's Response:* The City of Raton made progress by reducing the amount of stale dated checks from \$5,324 the previous year to \$458.62. The City of Raton is still working to resolve the stale dated checks that remain outstanding in the payroll clearing account and will void and reissue to former employees that can be located. If unable to locate, the City of Raton will follow the necessary procedure per the State of New Mexico Escheatment Laws. The City of Raton will complete its research and corrective action prior to June 30, 2019.

**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)**

**NM 2018-001 — Cash Appropriations in Excess of Available Cash Balances (Finding that did not rise to the level of significant deficiency)**

*Condition:* The City maintained a deficit budget in excess of available cash balances in the following fund:

	<b>Designated Cash</b>	<b>Beginning of Year Cash and Interfund Receivable Available</b>	<b>Cash Appropriation in excess of Available</b>
ARRA OJP	\$ 15,913	\$ -	\$ 15,913

*Criteria:* Section 2.2.2.10(R)(1)(b), NMAC, states “If budgeted expenditures exceed budgeted revenue (after prior-year cash and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding.

*Effect:* The City had to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

*Cause:* A budget adjustment was made at year end that inadvertently caused budgeted inflows to be less than budgeted outflows.

*Auditors’ Recommendations:* Budget deficits for future years should be reviewed to ensure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

*Agency’s Response:* The City Treasurer acknowledges the budget adjustment mistake that was inadvertently made at year end. The City Treasurer in the future will run a budget variance report after posting each budget adjustment and will review to make sure that the posted adjustments balance correctly. In addition, the new LGBMS budget and financial reporting system implemented by the Department of Finance and Administration’s Local Government Division in fiscal year 2019 will not allow submission of budget adjustments that result in a negative ending cash balance which will prevent this type of error from occurring again in the future.

**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)**

**NM 2018-002 — Certified Procurement Officer's (CPO) Involvement in the Water Department's Purchases (Other Non-Compliance)**

*Condition:* The City's CPO doesn't have involvement in the daily small purchases (those below the \$60,000 competitive procurement threshold) made by the Water Department of the City.

*Criteria:* NMAC 1.4.1(D) States the duties of the Chief Procurement Officer as the following:

"Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may:

- (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and
- (3) approve procurement pursuant to the Procurement Code;
- (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases."

*Effect:* The City is not in compliance with regulations by the State of New Mexico pertaining to the involvement of the CPO in small purchases.

*Cause:* The City's Water Department has a process separate from the other departments of the City.

*Auditors' Recommendations:* The City should implement a process in which the CPO is involved in the review of purchases pertaining to the Water Department or certify an employee of the Water Department as a CPO.

*Agency's Response:* RWW Procurement Officer is a Certified Municipal Clerk with 14 years of experience with extensive procurement knowledge and training. She is currently pursuing the public purchasing training and certification through NM Edge.

**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION V – COMPONENT UNIT FINDINGS**

**CU NM 2018-001 – Placing of Construction in Progress into Service (Finding that does not rise to the level of significant deficiency)**

*Condition:* The Company classified completed construction projects as non-depreciable construction in progress instead of buildings and improvements. This resulted in an adjustment to depreciation expense and accumulated depreciation of \$9,748.

*Criteria:* Generally Accepted Accounting Principles (GAAP) state that capital assets must be depreciated over the asset's useful life, starting with the date the asset was placed into service.

*Effect:* The capital asset rollforward did not reflect the completed project in buildings and equipment and depreciation was understated.

*Cause:* The Company did not transfer completed projects out of construction in progress of the power plant upon completion. The Company was expecting to capitalize the recently completed power plant until the Department of Finance and Administration (DFA) authorized the removal of the old power plant, rather than upon completion of the project.

*Auditors' Recommendations:* The Company should adjust its capital asset records to reflect the correct in-service date. Additionally, the Company should carefully review the completion dates of projects and treat each asset individually, to ensure that completed projects are placed in service as capital assets on the correct date.

*Agency's Response:* RPS will update our capital asset records to reflect the date the Construction in Progress Project was completed and put into service. Going forward we will ensure that completed projects are recorded as capital assets on the date they are placed in service.

**City of Raton, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**SECTION V – COMPONENT UNIT FINDINGS (Continued)**

**CU NM 2018-002 — Certified Procurement Officer's (CPO) Involvement in the Company's Purchases (Other Non-Compliance)**

*Condition:* The Company's CPO doesn't have involvement in the daily small purchases (those below the \$60,000 competitive procurement threshold).

*Criteria:* NMAC 1.4.1(D) States the duties of the Chief Procurement Officer as the following:

"Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may:

- (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and
- (3) approve procurement pursuant to the Procurement Code;
- (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases."

*Effect:* The Company is not in compliance with regulations by the State of New Mexico pertaining to the involvement of the CPO in small purchases.

*Cause:* The Company's purchases, other than those performed through competitive procurement, has a process separate from the City of Raton, whose CPO the Company uses.

*Auditors' Recommendations:* The Company should have a certified Chief Procurement Officer separate from the City of Raton to oversee purchases that fall below the competitive bid threshold and day to day purchases.

*Agency's Response:* RPS has scheduled CPO training for its Office Manager/Bookkeeper, Jessica Gonzales, in February 2019 in Albuquerque through NM Edge. She will assume the responsibilities of CPO for RPS thus keeping us in compliance with NMAC 1.4.1(D) by separating this process from the City of Raton.

**SECTION VI – PRIOR YEAR AUDIT FINDINGS**

**FS 2017-001 – Stale Dated Checks – Finding that does not rise to the level of significant deficiency (Repeated/Modified)**

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**EXIT CONFERENCE**

An exit conference was held on December 13, 2018. In attendance were the following:

**Representing City of Raton and Raton Public Service Company:**

James Neil Segotta, Jr.	Mayor
Scott Berry	City Manager
Michael Anne Antonucci	City Clerk/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 Carr, Riggs & Ingram, LLC:**

Ray Roberts, CPA	Partner
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**AUDITOR PREPARED FINANCIAL STATEMENTS**

Carr, Riggs & Ingram, LLC 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.