

State of New Mexico

City of Raton

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019



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Introductory Section

City of Raton, New Mexico
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June 30, 2019

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**City of Raton, New Mexico
Official Roster
June 30, 2019**

<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

Brian S. Colón, Esq.
New Mexico State Auditor
The United States Office of Management and Budget and
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, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 entity'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 entity'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, and the budgetary comparison for the general fund of City of Raton, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the GASB required pension schedules on pages 72 through 83 and the GASB required other post-employment benefit schedules on pages 84 through 85, and the related notes to required supplementary information on page 86 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, the combining 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, and other disclosures, 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 and other disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 16, 2019

Basic Financial Statements

City of Raton, New Mexico
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Raton Public Service Company
Assets				
Current assets				
Cash and cash equivalents	\$ 4,735,078	\$ 3,780,619	\$ 8,515,697	\$ 954,355
Investments	229,700	-	229,700	-
Accounts receivable, net	1,451,386	800,008	2,251,394	823,576
Due from other governments		646,871	646,871	-
Inventory	-	223,543	223,543	749,338
Prepaid expense	-	-	-	3,460
Total current assets	6,416,164	5,451,041	11,867,205	2,530,729
Noncurrent assets				
Restricted cash and cash equivalents:				
Debt service and other reserve requirements	48,350	817,674	866,024	4,250,607
Meter deposits	-	100,868	100,868	139,893
Closure and postclosure care	-	362,194	362,194	-
Restricted investments	247,888	468,697	716,585	415,275
Capital assets	44,344,296	39,807,406	84,151,702	19,756,348
Less: accumulated depreciation	(21,009,084)	(20,160,336)	(41,169,420)	(9,572,460)
Total noncurrent assets	23,631,450	21,396,503	45,027,953	14,989,663
Deferred outflows				
Deferred outflows - pension	1,500,706	532,347	2,033,053	383,554
Deferred outflows - OPEB	53,927	18,361	72,288	58,088
Total deferred outflows	1,554,633	550,708	2,105,341	441,642
Total assets and deferred outflows	\$ 31,602,247	\$ 27,398,252	\$ 59,000,499	\$ 17,962,034

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
Liabilities				
Current liabilities				
Accounts payable	\$ 856,426	\$ 756,271	1,612,697	\$ 347,595
Accrued payroll	97,084	57,082	154,166	8,804
Accrued interest	32,248	32,425	64,673	37,929
Meter deposits	-	100,868	100,868	139,893
Accrued compensated absences	66,860	58,655	125,515	108,556
Bonds and loans payable	338,378	78,650	417,028	411,358
Total current liabilities	1,390,996	1,083,951	2,474,947	1,054,135
Noncurrent liabilities				
Accrued compensated absences	217,897	140,227	358,124	78,593
Estimated landfill liability for closure and postclosure care costs	-	1,015,158	1,015,158	-
Bonds and loans payable	2,926,357	2,744,493	5,670,850	3,675,259
Net pension liability	6,305,827	2,121,393	8,427,220	1,460,443
Net OPEB liability	2,687,107	947,683	3,634,790	838,798
Total noncurrent liabilities	12,137,188	6,968,954	19,106,142	6,053,093
Total liabilities	13,528,184	8,052,905	21,581,089	7,107,228
Deferred inflows				
Deferred inflows - pension	656,499	226,902	883,401	77,203
Deferred inflows - OPEB	791,124	244,899	1,036,023	216,730
Total deferred inflows	1,447,623	471,801	1,919,424	293,933
Net position				
Net investment in capital assets	20,070,477	17,376,461	37,446,938	6,097,271
Restricted for:				
Reserve requirements per ordinance	-	-	-	3,435,886
Debt service and other reserve requirements	296,238	817,674	1,113,912	814,721
Capital projects	1,331,426	-	1,331,426	-
Special revenue	1,134,122	-	1,134,122	-
Customer deposits	-	-	-	139,893
Unrestricted	(6,205,823)	679,411	(5,526,412)	73,102
Total net position	16,626,440	18,873,546	35,499,986	10,560,873
Total liabilities, deferred inflows, and net position	\$ 31,602,247	\$ 27,398,252	\$ 59,000,499	\$ 17,962,034

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,564,753	\$ 1,308,556	\$ 409,040	\$ -
Public safety	4,609,069	604,058	696,813	100,000
Public works	74,491	-	829,120	1,575,143
Culture and recreation	1,146,164	58,650	13,051	-
Health and welfare	30,563	-	-	-
Interest and other charges	262,134	-	-	-
Total governmental activities	8,687,174	1,971,264	1,948,024	1,675,143
Business-type activities:				
Water and sewer	3,614,001	2,225,785	-	646,871
Sanitation	1,568,123	1,463,314	40,007	-
Total business-type activities	5,182,124	3,689,099	40,007	646,871
Total primary government	\$ 13,869,298	\$ 5,660,363	\$ 1,988,031	\$ 2,322,014
Component unit:				
Raton Public Service	\$ 6,212,441	\$ 6,310,637	\$ -	\$ -

General revenues and transfers

Taxes:
Property
Gross receipts
Lodgers
Other
Investment income
Miscellaneous income
Gain on sale of asset
Loss on impairment
Transfers

Total general revenues and transfers

Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Unit	
Governmental Activities	Business-Type Activities	Total	Raton Public Service Company
\$ (847,157)	\$ -	\$ (847,157)	\$ -
(3,208,198)	-	(3,208,198)	-
2,329,772	-	2,329,772	-
(1,074,463)	-	(1,074,463)	-
(30,563)	-	(30,563)	-
(262,134)	-	(262,134)	-
(3,092,743)	-	(3,092,743)	-
-	(741,345)	(741,345)	-
-	(64,802)	(64,802)	-
-	(806,147)	(806,147)	-
(3,092,743)	(806,147)	(3,898,890)	-
-	-	-	98,196
659,023	-	659,023	-
2,756,319	1,057,327	3,813,646	-
442,233	-	442,233	-
474,528	-	474,528	-
116,075	99,199	215,274	149,344
81,023	60,212	141,235	-
-	1,258	1,258	-
44,019	(44,019)	-	(3,719,355)
4,573,220	1,173,977	5,747,197	(3,570,011)
1,480,477	367,830	1,848,307	(3,471,815)
15,145,963	18,505,716	33,651,679	14,032,688
<u>\$ 16,626,440</u>	<u>\$ 18,873,546</u>	<u>\$ 35,499,986</u>	<u>\$ 10,560,873</u>

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

City of Raton, New Mexico
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Airport Capital Fund	NMFA Loan Acquatic CenterDebt Service Fund	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 2,797,664	\$ 114	\$ 44,652	\$ 1,852,700	\$ 4,695,130
Investments	-	-	247,888	229,700	477,588
Accounts receivable, net	645,957	512,813	-	292,616	1,451,386
Due from other funds	-	26,117	-	-	26,117
Total assets	\$ 3,443,621	\$ 539,044	\$ 292,540	\$ 2,375,016	\$ 6,650,221
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 47,498	\$ 522,341	\$ -	\$ 198,466	\$ 768,305
Accrued payroll	91,013	-	-	6,071	97,084
Due to other funds	26,117	-	-	-	26,117
Total liabilities	164,628	522,341	-	204,537	891,506
Deferred inflows of resources					
Unavailable revenue - property taxes	146,944	-	-	-	146,944
Total deferred inflows of resources	146,944	-	-	-	146,944
Fund balances					
Spendable:					
Restricted for:					
Public safety	-	-	-	527,214	527,214
Culture and recreation	-	-	-	481,168	481,168
Health and welfare	-	-	-	125,740	125,740
Capital acquisitions and improvements	-	-	-	1,032,208	1,032,208
Debt service	-	-	292,540	3,698	296,238
Unassigned	3,132,049	16,703	-	451	3,149,203
Total fund balances	3,132,049	16,703	292,540	2,170,479	5,611,771
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,443,621	\$ 539,044	\$ 292,540	\$ 2,375,016	\$ 6,650,221

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, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 5,611,771
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,335,212
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	146,944
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and therefore, are not reported in the funds:	
Deferred outflows - pension (note 10)	1,500,706
Deferred inflows - pension (note 10)	(656,499)
Deferred outflows - OPEB (note 11)	53,927
Deferred inflows - OPEB (note 11)	(791,124)
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	177
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	(284,757)
Accrued interest payable	(32,248)
Bonds and loans payable	(3,264,735)
Net pension liability	(6,305,827)
Net OPEB liability	(2,687,107)
Total net position - governmental activities	\$ 16,626,440

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, 2019

	General Fund	Airport Capital	NMFA Loan Acquatic CenterDebt Service Fund	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 3,424,294	\$ -	\$ -	\$ 890,976	\$ 4,315,270
Intergovernmental revenue:					
Federal operating grants	-	-	-	191,884	191,884
State operating grants	407,455	-	-	1,348,685	1,756,140
Federal capital grants	-	1,067,957	-	5,169	1,073,126
State capital grants	-	59,331	-	542,686	602,017
Charges for services	672,315	-	-	61,614	733,929
License and fees	154,678	-	-	11,664	166,342
Fines and forfeits	32,977	-	-	-	32,977
Investment income	56,717	114	388	57,342	114,561
Miscellaneous	69,655	-	-	11,368	81,023
Total revenues	4,818,091	1,127,402	388	3,121,388	9,067,269
Expenditures					
Current:					
General government	914,135	-	-	-	914,135
Public safety	3,187,124	-	-	555,582	3,742,706
Public works	8,719	-	-	62,191	70,910
Culture and recreation	216,561	-	-	650,837	867,398
Health and welfare	-	-	-	31,268	31,268
Capital outlay	94,164	1,186,619	-	1,048,496	2,329,279
Debt service:					
Principal	-	-	-	427,038	427,038
Interest	-	-	78,837	183,297	262,134
Total expenditures	4,420,703	1,186,619	78,837	2,958,709	8,644,868
Excess (deficiency) of revenues over expenditures	397,388	(59,217)	(78,449)	162,679	422,401
Other financing sources (uses)					
Proceeds from debt refunding	-	-	3,045,000	-	3,045,000
Payment to refunded debt escrow agent	-	-	(2,674,011)	(545,336)	(3,219,347)
Transfers in	95,016	75,920	-	1,057,118	1,228,054
Transfers (out)	(187,113)	-	-	(996,922)	(1,184,035)
Total other financing sources (uses)	(92,097)	75,920	370,989	(485,140)	(130,328)
Net change in fund balances	305,291	16,703	292,540	(322,461)	292,073
Fund balances - beginning	2,826,758	-	-	2,492,940	5,319,698
Fund balances - end of year	\$ 3,132,049	\$ 16,703	\$ 292,540	\$ 2,170,479	\$ 5,611,771

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, 2019**

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

Net change in fund balances - total governmental funds	\$	292,073
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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		2,329,279
Depreciation expense		(1,390,497)

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		16,833
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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		6,923
Principal payments on bonds and loans payable		427,038
Proceeds from debt refunding		(3,045,000)
Payment to refunded debt escrow agent		3,219,347

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

(73,760)

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		316,510
Pension expense		(700,919)
City OPEB contribution		53,927
OPEB expense		28,723

Change in net position of governmental activities	\$	1,480,477
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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, 2019

	<u>Budgeted Amounts</u>		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property taxes	\$ 672,716	\$ 672,716	\$ 656,179	\$ (16,537)
Gross receipts	2,711,788	2,711,788	2,590,381	(121,407)
Franchise tax	183,000	183,000	225,264	42,264
Intergovernmental income:				
State operating grants	250,319	440,595	410,758	(29,837)
Charges for services	699,366	699,366	672,315	(27,051)
Licenses and fees	153,954	153,954	154,678	724
Fines and forfeitures	25,000	25,000	32,977	7,977
Investment income	20,100	20,740	56,717	35,977
Miscellaneous	12,400	60,354	69,655	9,301
Total revenues	4,728,643	4,967,513	4,868,924	(98,589)
Expenditures				
Current:				
General government	861,775	1,060,455	891,860	168,595
Public safety	3,568,933	3,590,804	3,146,481	444,323
Public works	107,021	44,421	8,719	35,702
Culture and recreation	223,312	225,662	215,824	9,838
Capital outlay	70,500	114,528	102,231	12,297
Total expenditures	4,831,541	5,035,870	4,365,115	670,755
Excess (deficiency) of revenues over expenditures	(102,898)	(68,357)	503,809	572,166
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	405,930	158,818	-	(158,818)
Transfers in	95,018	95,018	95,016	(2)
Transfers (out)	(398,050)	(185,479)	(160,996)	24,483
Total other financing sources (uses)	102,898	68,357	(65,980)	(134,337)
Net change in fund balance	-	-	437,829	437,829
Fund balances - beginning of year	-	-	2,359,835	2,359,835
Fund balance - end of year	\$ -	\$ -	\$ 2,797,664	\$ 2,797,664
Net change in fund balance (non-GAAP budgetary basis)				\$ 437,829
Adjustments to revenues for taxes and state operating grants				(50,833)
Adjustments to expenditures for salaries, professional services and supplies				(81,705)
Net change in fund balance (GAAP basis)				\$ 305,291

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

City of Raton, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Sanitation	Total	Insurance Reserve
Assets				
Current assets				
Cash and cash equivalents	\$ 3,088,485	\$ 692,134	\$ 3,780,619	\$ 88,298
Accounts receivable, net	556,790	243,218	800,008	-
Due from other governments	646,871	-	646,871	-
Inventory	223,543	-	223,543	-
Total current assets	4,515,689	935,352	5,451,041	88,298
Noncurrent assets				
Restricted cash and cash equivalents				
Debt service	686,881	130,793	817,674	-
Meter deposits	100,868	-	100,868	-
Closure and postclosure care	-	362,194	362,194	-
Restricted investments	-	468,697	468,697	-
Capital assets	37,849,269	1,958,137	39,807,406	-
Accumulated depreciation	(18,754,028)	(1,406,308)	(20,160,336)	-
Total noncurrent assets	19,882,990	1,513,513	21,396,503	-
Deferred outflows of resources				
Deferred outflows - pension	344,263	188,084	532,347	-
Deferred outflows - OPEB	12,630	5,731	18,361	-
Total deferred outflows of resources	356,893	193,815	550,708	-
Total assets and deferred outflows of resources	\$ 24,755,572	\$ 2,642,680	\$ 27,398,252	\$ 88,298

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

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Sanitation	Total	Activities Insurance Reserve
Liabilities				
Current liabilities				
Accounts payable	\$ 716,167	\$ 40,104	\$ 756,271	\$ 88,121
Accrued payroll expenses	35,224	21,858	57,082	-
Accrued interest	30,585	1,840	32,425	-
Meter deposits	100,868	-	100,868	-
Accrued compensated absences	38,590	20,065	58,655	-
Bonds and loans payable	40,000	38,650	78,650	-
Total current liabilities	961,434	122,517	1,083,951	88,121
Noncurrent liabilities				
Accrued compensated absences	93,580	46,647	140,227	-
Estimated landfill liability for closure and postclosure care costs	-	1,015,158	1,015,158	-
Bonds and loans payable	2,147,154	597,339	2,744,493	-
Net pension liability	1,435,391	686,002	2,121,393	-
Net OPEB liability	662,382	285,301	947,683	-
Total noncurrent liabilities	4,338,507	2,630,447	6,968,954	-
Total liabilities	5,299,941	2,752,964	8,052,905	88,121
Deferred inflows of resources				
Deferred inflows - pension	138,134	88,768	226,902	-
Deferred inflows - OPEB	160,621	84,278	244,899	-
Total deferred inflows of resources	298,755	173,046	471,801	-
Net Position				
Net investment in capital assets	16,908,087	468,374	17,376,461	-
Restricted for debt service	686,881	130,793	817,674	-
Unrestricted	1,561,908	(882,497)	679,411	177
Total net position	19,156,876	(283,330)	18,873,546	177
Total liabilities, deferred inflows, and net position	\$ 24,755,572	\$ 2,642,680	\$ 27,398,252	\$ 88,298

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, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Sanitation	Total	Insurance Reserve
Operating revenues				
Charges for services	\$ 2,225,785	\$ 1,463,314	\$ 3,689,099	\$ 1,038,016
Operating grants	-	40,007	40,007	-
Total operating revenues	2,225,785	1,503,321	3,729,106	1,038,016
Operating expenses				
Personnel services	1,348,974	739,093	2,088,067	-
Travel and per diem	35,982	-	35,982	-
Training	2,725	-	2,725	-
Utilities	150,075	259,272	409,347	-
Contractual	20,159	201,002	221,161	-
Supplies	173,400	8,256	181,656	-
Repairs and maintenance	289,163	144,157	433,320	-
Telephone	9,766	-	9,766	-
Franchise fee	351,144	-	351,144	-
Insurances	42,966	-	42,966	1,113,290
Dues and subscriptions	10,472	-	10,472	-
Other operating	51,341	20,839	72,180	-
Gross receipts taxes	-	74,257	74,257	-
Depreciation	1,006,622	48,984	1,055,606	-
Total operating expenses	3,492,789	1,495,860	4,988,649	1,113,290
Operating income (loss)	(1,267,004)	7,461	(1,259,543)	(75,274)
Non-operating revenues (expenses)				
Interest expense and other charges	(121,212)	(72,263)	(193,475)	-
Gross receipts taxes	1,057,327	-	1,057,327	-
Investment income	74,714	24,485	99,199	1,514
Miscellaneous income	48,299	11,913	60,212	-
(Loss) Gain on sale of asset	(1,742)	3,000	1,258	-
Total non-operating revenues (expenses)	1,057,386	(32,865)	1,024,521	1,514
Income (loss) before contributions and transfers	(209,618)	(25,404)	(235,022)	(73,760)
Capital grants	646,871	-	646,871	-
Transfers in	-	1,457	1,457	-
Transfers (out)	-	(45,476)	(45,476)	-
Change in net position	437,253	(69,423)	367,830	(73,760)
Total net position, beginning	18,719,623	(213,907)	18,505,716	73,937
Total net position, end of year	\$ 19,156,876	\$ (283,330)	\$ 18,873,546	\$ 177

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, 2019

	Enterprise Funds			Governmental
	Water and Sewer	Sanitation	Total	Activities Insurance Reserve
Cash flows from operating activities				
Cash received from user charges and others	\$ 2,396,977	\$ 1,489,393	\$ 3,886,370	\$ 1,057,696
Cash payments to employees for services	(1,235,851)	(703,355)	(1,939,206)	-
Cash payments to suppliers for goods and services	(468,929)	(677,201)	(1,146,130)	(1,025,169)
Net cash provided by operating activities	692,197	108,837	801,034	32,527
Cash flows from noncapital financing activities				
Gross receipts taxes	1,057,327	-	1,057,327	-
Miscellaneous income	48,299	11,913	60,212	-
Transfers and interfund activity	-	(44,019)	(44,019)	-
Net cash provided (used) by noncapital financing activities	1,105,626	(32,106)	1,073,520	-
Cash flows from investing activities				
Reclassification from cash to investments	-	(366,761)	(366,761)	-
Interest on investments	74,714	24,485	99,199	1,514
Net cash provided (used) by investing activities	74,714	(342,276)	(267,562)	1,514
Cash flows from capital and related financing activities				
Acquisition of capital assets	(2,388,569)	(21,814)	(2,410,383)	-
Interest paid	(121,212)	(72,263)	(193,475)	-
Cash payments for landfill closure and postclosure costs	-	(1,457)	(1,457)	-
Principal payments on bonds, loans, and notes payable	(587,121)	96,589	(490,532)	-
Net cash (used) provided by capital and related financing activities	(3,096,902)	1,055	(3,095,847)	-
Net (decrease) increase in cash and cash equivalents	(1,224,365)	(264,490)	(1,488,855)	34,041
Cash and cash equivalents - beginning of year	5,100,599	1,449,611	6,550,210	54,257
Cash and cash equivalents - end of year	\$ 3,876,234	\$ 1,185,121	\$ 5,061,355	\$ 88,298

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 (loss) income to net cash provided by operating activities:				
Operating (loss) income	\$ (1,267,004)	\$ 7,461	\$ (1,259,543)	\$ (75,274)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,006,622	48,984	1,055,606	-
Noncash pension expense	(17,201)	(14,696)	(31,897)	-
Noncash OPEB expense	24,224	(2,514)	21,710	-
Changes in assets, liabilities and deferred outflows of resources:				
Receivables	168,332	(13,928)	154,404	19,680
Deferred outflows - subsequent contributions	82,874	40,682	123,556	-
Accounts payable	668,264	30,582	698,846	88,121
Accrued payroll expenses	4,630	1,384	6,014	-
Accrued compensated absences	18,596	10,882	29,478	-
Meter deposits	2,860	-	2,860	-
Net cash provided by operating activities	\$ 692,197	\$ 108,837	\$ 801,034	\$ 32,527

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, 2019

Current Assets		
Cash and cash equivalents	\$	22,022
<hr/>		
Total assets	\$	22,022
<hr/>		
Current Liabilities		
Due to others	\$	22,022
<hr/>		
Total liabilities	\$	22,022
<hr/>		

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by the municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

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

During the year ended June 30, 2019, the City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 83, *Certain Capital Asset Retirement Obligations*. These statements are required to be implemented as of June 30, 2019, if applicable. These statements did not have a significant impact on the City.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61 and No. 80.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the Revolving Loan Fund that is maintained as a separate fund for accounting and budgetary purposes but does not meet the criteria for separate reporting in the financial statement.

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 *NMFA Loan – Aquatic Center* is used to accumulate monies for the refunding of the Recreation Center and Aquatic Center from NMFA. Pursuant to Governmental Unit Ordinances No. 937 and 990, the City has pledged one quarter percent each of the municipal local options gross receipts tax.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City also reports the following 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Accrued Payroll: Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2019, along with accruals for applicable PERA, FICA, and Medicare payable.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position and governmental funds balance sheet report separate sections for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance 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 in the governmental funds balance sheet. The uncollected amount 60 days after June 30, 2019 totaled \$146,944 and is considered unavailable revenue.

In addition, the City has five types of items presented on the statement of net position that qualify for reporting in this category related to the requirements of GASB 68 and one item related to the requirements of GASB 75. Accordingly, the items deferred inflows – pension and deferred inflows – OPEB report a total of \$883,401 and \$1,036,023, respectively. These items are further detailed in notes 10 and 11. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows of Resources: In addition to assets, the statement of net position 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 three types of items that qualify for reporting in this category, which arise due to the reporting requirements of GASB 68. The City also reports four types of items related to the reporting requirements of GASB 75. Accordingly, the items, deferred outflows - pension of \$2,033,053, and deferred outflows - OPEB of \$72,288 are deferred and recognized as a direct reduction of the net pension liability and net OPEB liability. 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, 2019

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
Years of Service:		
Up to 5 years	10 hours	9 hours
5 to 10 years	12 hours	11 hours
10 to 20 years	14 hours	13 hours
20 years and over	15 hours	13 hours

Qualified employees are entitled to earn sick leave. Eight hours of sick leave is accrued for each complete 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, 2019, the City had no nonspendable fund balance categorized in the governmental funds balance sheet.

Restricted Fund Balance: At June 30, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$2,462,568 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.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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.

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

- a. **Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City had \$552,534 of unspent loan proceeds as of June 30, 2019 related to sanitation fund projects.
- 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 pages 36-37 and 90-93.
- 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 post-closure 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, 2019

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:

	Excess (Deficiency) of Revenues over Expenditures	
	Original Budget	Final Budget
General Fund	\$ (102,898)	\$ (68,357)
Airport Capital	(315,951)	(74,284)
NMFA Loan - Aquatic Center	-	365
Other governmental funds	(516,171)	(2,057,473)
	Changes in Net Position	
Water and Wastewater	\$ (1,189,462)	\$ (2,188,461)
Sanitation	(766,071)	(943,780)

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, 2019

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, 2019 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, 2019.

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

Excess funds may be temporarily invested in securities which are issued by the State 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, 2019, \$9,743,018 of the City's bank balance of \$10,743,018 was exposed to custodial credit risk; \$7,234,347 was uninsured, but collateralized by collateral held by the pledging bank's trust department, but not in the City's name. \$2,508,671 of the City's deposits were uninsured and uncollateralized.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

	First National Bank of New Mexico	International Bank	Total
Amount of deposits	\$ 8,055,435	\$ 2,687,583	\$ 10,743,018
FDIC coverage	(500,000)	(500,000)	(1,000,000)
Total uninsured public funds	7,555,435	2,187,583	9,743,018
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,046,764	2,187,583	7,234,347
Uninsured and uncollateralized	\$ 2,508,671	\$ -	\$ 2,508,671
Collateral requirements (50% of uninsured funds)	\$ 3,777,718	\$ 1,093,792	\$ 4,871,510
Pledged collateral	5,046,764	3,443,324	8,490,088
Over (Under) collateralized	\$ 1,269,046	\$ 2,349,532	\$ 3,618,578

The collateral pledged is listed on page 114 of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, school district or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

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, 2019 and a weighted average maturity of less than 365 days.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per statement of net position	\$ 8,515,697
Investments per statement of net position	229,700
Restricted cash and investments for:	
Debt service per statement of net position	866,024
Closure and postclosure care	362,194
Investments per statement of net position	716,585
Meter deposits per statement of net position	100,868
Agency funds cash per statement of fiduciary assets and liabilities	22,022
<hr/>	
Total cash and cash equivalents	10,813,090
<hr/>	
Add: outstanding checks	1,340,788
Less: deposits in transit	(513,178)
Less: cash and investments held with NMFA	(897,042)
Less: petty cash	(640)
<hr/>	
Bank balance of deposits	\$ 10,743,018
<hr/>	

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, 2019 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
U.S. Treasury Money Market Mutual Funds	AA+ **	>365 Days	\$ 716,585
			\$ 716,585

** 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, 2019:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Money				
Market Mutual Funds	\$ 716,585	\$ -	\$ -	\$ 716,585

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 4: RECEIVABLES

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

	General	Airport Capital Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 171,495	\$ -	\$ -	\$ 171,495
Other taxes:				
Gross receipts taxes	438,264	-	126,428	564,692
Franchise taxes	30,290	-	-	30,290
Lodgers taxes	-	-	57,664	57,664
MVD and gas tax	1,187	-	44,337	45,524
Due from other governments:				
Federal operating grants	-	-	7,365	7,365
State operating grants	109	-	56,822	56,931
Federal capital grants	-	470,107	-	470,107
State capital grants	-	42,706	-	42,706
Charges for service	4,612	-	-	4,612
Totals	\$ 645,957	\$ 512,813	\$ 292,616	\$ 1,451,386

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

	Water and Sewer	Sanitation	Total
Utility fees	\$ 391,298	\$ 243,218	\$ 634,516
Less: allowance for uncollectible accounts	(26,138)	-	(26,138)
Taxes:			
Gross receipts taxes	191,630	-	191,630
Totals	\$ 556,790	\$ 243,218	\$ 800,008

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2019, 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:

Transfers In	Transfers Out	Amount
General Fund	Sanitation Fund	\$ 45,476
General Fund	Lodgers' Tax 2% Capital Fund	35,000
General Fund	Juvenile Justice Grant	9,881
General Fund	Library Grant Fund	4,659
Recreation Fund	General Fund	92,000
Recreation Fund	Swim / Pool Recreation Center Fund	10,500
Lodgers' Tax	Lodgers' Tax 2% Capital Fund	20,000
Lodgers' Tax 2% Capital Fund	Lodgers' Tax	269,519
Street Improvement Fund	Lodgers' Tax 2% Capital Fund	8,522
Juvenile Justice Grant	General Fund	7,365
ARRA OJP Fund	General Fund	9,885
Airport Capital	General Fund	49,803
Airport Capital	General Fund	26,117
Swim / Pool Recreation Center Fund	Recreation Fund	822
Swim / Pool Recreation Center Fund	Acquatic Center Fund	320
NMDOT	Street Improvement Fund	20,222
Depot Improvement Project Fund	General Fund	1,943
NMFA Loan - Fire Fund	Fire Protection Fund	77,989
Recreation Fund	Swim / Pool Recreation Center Fund	191,576
Acquatic Center Fund	Swim / Pool Recreation Center Fund	323,750
NMFA Loan - Police Vehicles Fund	Law Enforcement Fund	22,705
Sanitation Fund	Environmental GRT Fund	1,457
		\$ 1,229,511

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 6: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2019. Land, Artwork and Construction in Progress are not subject to depreciation.

Governmental Activities:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 685,779	\$ -	\$ -	\$ -	\$ 685,779
Artwork	713,750	-	-	-	713,750
Construction in progress	25,966	1,532,500	-	(13,647)	1,544,819
Total capital assets not being depreciated	1,425,495	1,532,500	-	(13,647)	2,944,348
Capital assets being depreciated:					
Buildings	17,721,888	-	-	-	17,721,888
Furniture and equipment	1,668,295	255,099	-	-	1,923,394
Improvements	17,270,272	364,344	-	13,647	17,648,263
Vehicles	3,943,887	177,336	(14,820)	-	4,106,403
Total capital assets being depreciated	40,604,342	796,779	(14,820)	13,647	41,399,948
Total capital assets	42,029,837	2,329,279	(14,820)	-	44,344,296
Accumulated depreciation:					
Buildings	(5,587,060)	-	-	-	(5,587,060)
Furniture and equipment	(1,478,423)	(60,478)	-	-	(1,538,901)
Improvements	(9,169,863)	(1,171,098)	-	-	(10,340,961)
Vehicles	(3,398,061)	(158,921)	14,820	-	(3,542,162)
Total accumulated depreciation	(19,633,407)	(1,390,497)	14,820	-	(21,009,084)
Total capital assets, net	\$ 22,396,430	\$ 938,782	\$ -	\$ -	\$ 23,335,212

Depreciation expense for the year ended June 30, 2019 was charged to the functions of the governmental activities as follows:

General government	\$ 513,977
Public safety	604,758
Culture and recreation	264,080
Public works	7,682
Total	\$ 1,390,497

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 6: CAPITAL ASSETS (Continued)

Business-type Activities:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,218,366	\$ -	\$ -	\$ -	\$ 1,218,366
Construction in progress	2,319,455	1,550,153	-	-	3,869,608
Total capital assets not being depreciated	3,537,821	1,550,153	-	-	5,087,974
Capital assets being depreciated:					
Buildings	185,000	-	-	-	185,000
Equipment	2,405,589	-	-	-	2,405,589
Land improvements	3,051,988	114,668	(22,695)	-	3,143,961
Vehicles	690,891	748,562	-	-	1,439,453
Infrastructure	27,545,429	-	-	-	27,545,429
Total capital assets being depreciated	33,878,897	863,230	(22,695)	-	34,719,432
Total capital assets	37,416,718	2,413,383	(22,695)	-	39,807,406
Accumulated depreciation:					
Buildings	(106,368)	(4,730)	-	-	(111,098)
Equipment	(1,934,173)	(89,609)	20,953	-	(2,002,829)
Land improvements	(673,468)	(185,474)	-	-	(858,942)
Vehicles	(526,692)	(13,063)	-	-	(539,755)
Infrastructure	(15,884,982)	(762,730)	-	-	(16,647,712)
Total accumulated depreciation	(19,125,683)	(1,055,606)	20,953	-	(20,160,336)
Total capital assets, net	\$ 18,291,035	\$ 1,357,777	\$ (1,742)	\$ -	\$ 19,647,070

During the fiscal year ended June 30, 2019, 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	\$ 1,006,622
Sanitation	48,984
Total	\$ 1,055,606

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 7: LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in long-term liabilities as follows.

Governmental Activities

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Loans payable	\$ 3,866,120	\$ 3,045,000	\$ 3,646,385	\$ 3,264,735	\$ 338,378
Compensated absences	291,680	193,340	200,263	284,757	66,860
Total long-term debt	\$ 4,157,800	\$ 3,238,340	\$ 3,846,648	\$ 3,549,492	\$ 405,238

Loans outstanding for governmental activities at June 30, 2019 consisted of the following loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2019	Pledged Revenues
NMFA-Refunding Loan	6/7/2019	5/1/2033	2.60%	\$ 3,045,000	\$ 3,045,000	Gross receipts taxes
NMFA-Fire Equipment Loan	11/1/2010	5/1/2021	2.43%	643,750	157,730	Fire protection revenues
NMFA - PPRF - 4429	03/09/18	05/01/22	1.00%	82,620	62,005	Law Enforcement Protection Fund
Total					\$ 3,264,735	

The annual requirements to amortize the loans payable for governmental activities as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 338,378	\$ 53,222	\$ 391,600
2021	325,668	53,025	378,693
2022	255,689	47,312	303,001
2023	235,000	43,650	278,650
2024	250,000	39,936	289,936
2025-2029	1,290,000	137,388	1,427,388
2030-2034	570,000	35,324	605,324
	\$ 3,264,735	\$ 409,857	\$ 3,674,592

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 7: LONG-TERM DEBT (Continued)

Business-type Activities

	Balance				Balance	Due Within
	June 30, 2018	Additions	Retirements		June 30, 2019	One Year
Bonds payable	\$ 2,764,531	\$ -	\$ 577,377		\$ 2,187,154	\$ 40,000
Loans payable	549,144	635,989	549,144		635,989	38,650
Estimated landfill liability for closure and postclosure care costs	1,016,615	-	1,457		1,015,158	-
Compensated absences	169,404	153,729	124,251		198,882	58,655
Total long-term debt	\$ 4,499,694	\$ 789,718	\$ 1,252,229		\$ 4,037,183	\$ 137,305

Bonds and loans outstanding for business-type activities at June 30, 2019 consisted of the following bonds and loans.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2019	Pledged Revenues
Bonds 2006A	4/18/2006	4/18/2046	4.38%	\$ 2,627,154	\$ 2,187,154	Water and wastewater system revenues
NMFA-Solid Waste Transfer & Recycling	6/7/2019	5/1/2034	2.44%	635,989	635,989	Gross receipts taxes
Total					\$ 2,823,143	

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 7: LONG-TERM DEBT (Continued)

The annual requirements to amortize the bonds payable for business-type activities as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 40,000	\$ 95,700	\$ 135,700
2021	50,000	94,000	144,000
2022	50,000	91,800	141,800
2023	50,000	89,600	139,600
2024	50,000	87,400	137,400
2025-2029	310,000	399,900	709,900
2030-2034	370,000	327,400	697,400
2035-2039	460,000	239,400	699,400
2040-2044	560,000	140,100	700,100
2045-2046	247,154	16,100	263,254
	<u>\$ 2,187,154</u>	<u>\$ 1,581,400</u>	<u>\$ 3,768,554</u>

The annual requirements to amortize the loans payable for business-type activities as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 38,650	\$ 9,582	\$ 48,232
2021	38,161	10,071	48,232
2022	38,741	9,491	48,232
2023	39,342	8,890	48,232
2024	39,963	8,268	48,231
2025-2029	209,940	31,221	241,161
2030-2034	231,192	9,969	241,161
	<u>\$ 635,989</u>	<u>\$ 87,492</u>	<u>\$ 723,481</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, 2019, compensated absences decreased by \$6,923 and increased by \$29,478 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.

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, 2019 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by 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 reported a deficit fund balance at June 30, 2019.
- B. There were no funds that had excess expenditures over appropriations at June 30, 2019.
- C. There were no funds had designated cash appropriations in excess of available balances at June 30, 2019.

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, unless specifically excluded.

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, 2018 available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Contributions. The contribution requirements of defined benefit plan members and the City 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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY18 annual audit report at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

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 \$421,009 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 10: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

For PERA Fund Municipal General Division, at June 30, 2019, the City reported a liability of \$3,863,158 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.2423 percent, which was an increase of 0.018 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal General Division pension expense of \$510,286. At June 30, 2019, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 39,553	\$ 5,539
Differences between expected and actual experience	111,653	101,426
Net difference between projected and actual earnings on pension plan investments	286,511	-
Changes of assumption	350,250	22,212
City of Raton's contributions subsequent to the measurement date	196,898	-
Total	\$ 984,865	\$ 129,177

\$196,898 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	(434,833)
2020		(166,321)
2021		(43,206)
2022		(14,430)
Thereafter		-

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

For PERA Fund Municipal Police Division, at June 30, 2019, the City reported a liability of \$2,053,736 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.3010 percent, which was an increase from its proportion measured as of June 30, 2017 of 0.088 percent.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal Police Division pension expense of \$219,296. At June 30, 2019, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 41,810	\$ 59,059
Differences between expected and actual experience	100,542	203,579
Net difference between projected and actual earnings on pension plan investments	141,326	-
Changes of assumption	234,334	12,555
City of Raton's contributions subsequent to the measurement date	123,467	-
Total	\$ 641,479	\$ 275,193

\$123,467 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (152,680)
2019	(22,420)
2020	(60,208)
2021	(7,511)
Thereafter	-

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

For PERA Fund Municipal Fire Division, at June 30, 2019, the City reported a liability of \$2,510,326 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.3922 percent, which was a decrease from its proportion measured as of June 30, 2017 of 0.0582 percent.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal Fire Division pension expense of \$201,198. At June 30, 2019, the City reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 32,713	\$ 286,787
Differences between expected and actual experience	40,341	183,077
Net difference between projected and actual earnings on pension plan investments	88,031	9,167
Changes of assumption	144,980	-
City of Raton's contributions subsequent to the measurement date	100,644	-
Total	\$ 406,709	\$ 479,031

\$100,644 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (662)
2019	111,408
2020	65,799
2021	(3,579)
Thereafter	-

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Market Value of assets
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% annual rate first 9 years, 2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

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

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

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets	20.00	6.48
Total	100.00%	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

PERA Fund Municipal General Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Raton's proportionate share of the net pension liability	\$ 5,952,869	\$ 3,863,158	\$ 2,135,679

PERA Fund Municipal Police Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Raton's proportionate share of the net pension liability	\$ 3,157,803	\$ 2,053,736	\$ 1,153,660

PERA Fund Municipal Fire Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Raton's proportionate share of the net pension liability	\$ 3,351,095	\$ 2,510,326	\$ 1,821,562

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2019 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, 2019

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

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
<hr/>	
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349
	93,349

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 \$72,288 for the year ended June 30, 2019.

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 \$3,634,790 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the City’s proportion was 0.08359 percent.

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

For the year ended June 30, 2019, the recognized OPEB benefit of \$25,352. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 678,599
Net difference between projected and actual earnings on pension plan investments	-	45,361
City of Raton's contributions subsequent to the measurement date	72,288	-
Change in proportion		96,860
Difference between expected and actual experience	-	215,203
Total	\$ 72,288	\$ 1,036,023

Deferred outflows of resources totaling \$72,288 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	\$ (259,142)
2020	(259,142)
2021	(259,142)
2022	(204,797)
2023	(53,800)
Total	\$ (1,036,023)

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

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

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

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 4,398,952	\$ 3,634,790	\$ 3,032,460

City of Raton, New Mexico
Notes to Financial Statements
June 30, 2019

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

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
\$ 3,072,672	\$ 3,634,790	\$ 4,075,503

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the City did not have amounts payable to the NMRHCA.

NOTE 12: CONTINGENT LIABILITIES

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

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

NOTE 13: LANDFILL CLOSURE AND POST – CLOSURE COSTS

State and federal laws and regulations (i.e., 20.9.2 – 20.9.10 NMAC, New Mexico Solid Waste Act and 40 CFR Part 258 - Subtitle D of RCRA) require the City to install an approved final cover system on its regional landfill site after it receives the final receipt of waste to minimize infiltration of liquid into the closed landfill, to minimize wind and water erosion to the cover system, and to control storm water 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, 2019, 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 \$1,015,158.

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

NOTE 14: RESTRICTED COMPONENTS OF NET POSITION

The government-wide statement of net position reports \$3,579,460 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 on pages 36-37 and 90-93.

NOTE 15: 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 16, 2019, which is the date on which the financial statements were issued.

NOTE 16: CONSTRUCTION COMMITMENTS

The City had an outstanding construction project related to water filter plant improvements outstanding as of June 30, 2019. The costs left to complete is \$2,065,298.

NOTE 17: JOINT POWER AGREEMENTS

Agreement:	Raton Fire and Emergency Services
Participants with City:	EMNRD-Forestry Division-Cimarron District (NM-N2S)
Party responsible for operation:	EMNRD-Forestry Division-Cimarron District (NM-N2S)
Description:	Reimbursement of Overtime and equipment as needed for wildland fire response on a rate basis as needed.
Period:	1/1/2018-12/31/2019
Cost to City:	Indeterminate
City contributions:	Indeterminate
Audit responsibility:	EMNRD-Forestry Division-Cimarron District (NM-N2S)

NOTE 18: SUBSEQUENT PRONOUNCEMENTS

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

In 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 June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. 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.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. 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*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
City of Raton's proportion of the net pension liability	0.2423%	0.2405%
City of Raton's proportionate share of the net pension liability	\$ 3,863,158	\$ 3,304,676
City of Raton's covered payroll	\$ 2,159,048	\$ 2,229,072
City of Raton's proportionate share of the net pension liability as a percentage of its covered payroll	178.93%	148.25%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017	2016	2015
Measurement	Measurement	Measurement
Date	Date	Date
(As of and for	(As of and for	(As of and for
the Year Ended	the Year Ended	the Year Ended
June 30, 2016)	June 30, 2015)	June 30, 2014)
0.2415%	0.2364%	0.2216%
\$ 3,858,358	\$ 2,410,303	\$ 1,728,718
\$ 2,182,862	\$ 2,073,010	\$ 1,798,896
176.76%	116.27%	96.10%
69.18%	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*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
City of Raton's proportion of the net pension liability	0.3010%	0.2922%
City of Raton's proportionate share of the net pension liability	\$ 2,053,736	\$ 1,623,362
City of Raton's covered payroll	\$ 635,958	\$ 606,010
City of Raton's proportionate share of the net pension liability as a percentage of its covered payroll	322.94%	267.88%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017	2016	2015
Measurement	Measurement	Measurement
Date	Date	Date
(As of and for	(As of and for	(As of and for
the Year Ended	the Year Ended	the Year Ended
June 30, 2016)	June 30, 2015)	June 30, 2014)
0.3152%	0.3133%	0.3040%
\$ 2,325,640	\$ 1,506,522	\$ 991,007
\$ 626,915	\$ 618,376	\$ 585,530
370.97%	243.63%	169.25%
69.18%	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*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
City of Raton's proportion of the net pension liability	0.3922%	0.4504%
City of Raton's proportionate share of the net pension liability	\$ 2,510,326	\$ 2,576,939
City of Raton's covered payroll	\$ 498,406	\$ 545,776
City of Raton's proportionate share of the net pension liability as a percentage of its covered payroll	503.67%	472.16%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017	2016	2015
Measurement	Measurement	Measurement
Date	Date	Date
(As of and for	(As of and for	(As of and for
the Year Ended	the Year Ended	the Year Ended
June 30, 2016)	June 30, 2015)	June 30, 2014)
0.4623%	0.4436%	0.4096%
\$ 3,084,011	\$ 2,289,500	\$ 1,709,668
\$ 538,923	\$ 505,270	\$ 456,169
572.25%	453.12%	374.79%
69.18%	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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 196,898	\$ 195,368
Contributions in relation to the contractually required contribution	(196,898)	(195,368)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered payroll	\$ 2,175,669	\$ 2,159,048
Contributions as a percentage of covered payroll	9.05%	9.05%

* 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.

As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 201,731	\$ 197,549	\$ 187,690
(201,731)	(197,549)	(187,690)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,229,072	\$ 2,182,862	\$ 2,073,010
9.05%	9.05%	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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 123,467	\$ 120,196
Contributions in relation to the contractually required contribution	(123,467)	(120,196)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered payroll	\$ 653,265	\$ 635,958
Contributions as a percentage of covered 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.

As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 114,649	\$ 118,487	\$ 116,873
(114,649)	(118,487)	(116,873)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 606,610	\$ 626,915	\$ 618,376
18.90%	18.90%	18.90%

*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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 100,644	\$ 107,904
Contributions in relation to the contractually required contribution	(100,644)	(107,904)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered payroll	\$ 464,868	\$ 498,406
Contributions as a percentage of covered 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.

As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 118,160	\$ 116,677	\$ 109,391
(118,160)	(116,677)	(109,391)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 545,776	\$ 538,923	\$ 505,270
21.65%	21.65%	21.65%

*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*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
City of Raton's proportion of the net OPEB liability	0.08359%	0.08570%
City of Raton's proportionate share of the net OPEB liability	\$ 3,634,790	\$ 3,883,643
City of Raton's covered payroll	\$ 3,295,079	\$ 3,386,112
City of Raton's proportionate share of the net OPEB liability as a percentage of its covered payroll	110.31%	114.69%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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*

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contributions	\$ 72,288	\$ 72,931
Contributions in relation to the contractually required contribution	(72,288)	(72,931)
Contribution deficiency (excess)	\$ -	\$ -
City of Raton's covered payroll	\$ 3,291,889	\$ 3,295,079
Contributions as a percentage of covered payroll	2.00%	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, 2019

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 FY18 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, 2018 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 NMRHCA FY18 audit available at <http://nmrhca.org/financial-documents.aspx>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at <http://nmrhca.org/financial-documents.aspx>. 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

City of Raton, New Mexico
Nonmajor Governmental Fund Descriptions
June 30, 2019

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, 2019

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.

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City of Raton, New Mexico
Nonmajor Governmental Fund Descriptions
June 30, 2019

CAPITAL PROJECTS FUNDS (Continued)

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.

Filter Plant Project (356) - to account for costs associated with the upgrade project, which consists of critical upgrades and replacements to improve the existing facility.

DEBT SERVICE FUNDS

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.

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. 957, adopted on December 9, 2008, and authorized pursuant to Section 7-19D-9 NMSA 1978 is pledged for the repayment of this loan.

ARRA CWSRF (409) - to accumulate monies for the repayment of the loan received from NMED. Net revenues to be derived from the operations, authorized under Governmental Unit Ordinance No. 966, adopted on November 10, 2009, and amended ordinance No. 968, adopted February 9, 2010.

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.

City of Raton, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue		
	Fire Grants	Fire Protection Fund	Recreation Fund
Assets			
Cash and cash equivalents	\$ 113,779	\$ 338,327	\$ 413
Investments	-	-	-
Accounts receivable, net	7,303	-	23,188
Total assets	\$ 121,082	\$ 338,327	\$ 23,601
Liabilities			
Accounts payable	\$ 1,086	\$ 61,456	\$ 5,533
Accrued payroll	-	-	6,071
Total liabilities	1,086	61,456	11,604
Fund balances			
Spendable:			
Restricted for:			
Public safety	119,996	276,871	-
Culture and recreation	-	-	11,997
Health and welfare	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Unassigned	-	-	-
Total fund balances	119,996	276,871	11,997
Total liabilities and fund balances	\$ 121,082	\$ 338,327	\$ 23,601

See independent auditors' report.

Special Revenue

Lodgers' Tax	Law Enforcement Fund	Emergency Medical Services	Local Government Corrections	Library Building
\$ 124,990	\$ 549	\$ 25,923	\$ 70,724	\$ 46,279
-	-	-	-	229,700
57,664	-	-	-	-
<u>\$ 182,654</u>	<u>\$ 549</u>	<u>\$ 25,923</u>	<u>\$ 70,724</u>	<u>\$ 275,979</u>
\$ 3,964	\$ -	\$ 21	\$ -	\$ -
-	-	-	-	-
3,964	-	21	-	-
-	549	25,902	70,724	-
178,690	-	-	-	275,979
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
178,690	549	25,902	70,724	275,979
<u>\$ 182,654</u>	<u>\$ 549</u>	<u>\$ 25,923</u>	<u>\$ 70,724</u>	<u>\$ 275,979</u>

See independent auditors' report.

City of Raton, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue		
	Library Grant Fund	Environmental GRT	Police Money Seizures
Assets			
Cash and cash equivalents	\$ 8	\$ 114,150	\$ 25,807
Investments	-	-	-
Accounts receivable, net	-	11,590	-
Total assets	\$ 8	\$ 125,740	\$ 25,807
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Total liabilities	-	-	-
Fund balances			
Spendable:			
Restricted for:			
Public safety	-	-	25,807
Culture and recreation	8	-	-
Health and welfare	-	125,740	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Unassigned	-	-	-
Total fund balances	8	125,740	25,807
Total liabilities and fund balances	\$ 8	\$ 125,740	\$ 25,807

See independent auditors' report.

Special Revenue					Capital Projects	
Juvenile Justice Grant	ARRA OJP	ARRA CWSRF	Shuler LEDA	Lodgers' Tax 2% Capital		
\$ -	\$ -	\$ -	\$ 14,494	\$ 277,192		
-	-	-	-	-		
7,365	-	-	-	-		
<u>\$ 7,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,494</u>	<u>\$ 277,192</u>		
\$ -	\$ -	\$ -	\$ -	\$ 12,861		
-	-	-	-	-		
-	-	-	-	-		12,861
7,365	-	-	-	-		-
-	-	-	14,494	-		-
-	-	-	-	-		-
-	-	-	-	-		264,331
-	-	-	-	-		-
-	-	-	-	-		-
<u>7,365</u>	<u>-</u>	<u>-</u>	<u>14,494</u>	<u>264,331</u>		
<u>\$ 7,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,494</u>	<u>\$ 277,192</u>		

See independent auditors' report.

City of Raton, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Capital Projects			
	Street Improvement	Swim/Pool Recreation Center Fund	NMDOT	
Assets				
Cash and cash equivalents	\$ 557,237	\$ 138,677	\$	-
Investments	-	-	-	-
Accounts receivable, net	93,856	91,650	-	-
Total assets	\$ 651,093	\$ 230,327	\$	-
Liabilities				
Accounts payable	\$ 113,545	\$ -	\$	-
Accrued payroll	-	-	-	-
Total liabilities	113,545	-	-	-
Fund balances				
Spendable:				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital acquisitions and improvements	537,548	230,327	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	537,548	230,327	-	-
Total liabilities and fund balances	\$ 651,093	\$ 230,327	\$	-

See independent auditors' report.

Capital Projects			Debt Service			
Depot Improvement Project	Filter Plant Project	NMFA Loan Fire	Recreation Center	Aquatic Center		
\$ 2	\$ 451	\$ 1,381	\$ -	\$ -		
-	-	-	-	-		
-	-	-	-	-		
\$ 2	\$ 451	\$ 1,381	\$ -	\$ -		
\$ -	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
2	-	-	-	-		
-	-	1,381	-	-		
-	451	-	-	-		
2	451	1,381	-	-		
\$ 2	\$ 451	\$ 1,381	\$ -	\$ -		

See independent auditors' report.

City of Raton, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Debt Service			
	ARRA CWSRF	NMFA Loan Police Vehicles		Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$	-	\$ 2,317	\$ 1,852,700
Investments		-	-	229,700
Accounts receivable, net		-	-	292,616
Total assets	\$	-	\$ 2,317	\$ 2,375,016
Liabilities				
Accounts payable	\$	-	\$	198,466
Accrued payroll		-	-	6,071
Total liabilities		-	-	204,537
Fund balances				
Spendable:				
Restricted for:				
Public safety		-	-	527,214
Culture and recreation		-	-	481,168
Health and welfare		-	-	125,740
Capital acquisitions and improvements		-		1,032,208
Debt service		-	2,317	3,698
Unassigned		-	-	451
Total fund balances		-	2,317	2,170,479
Total liabilities and fund balances	\$	-	\$ 2,317	\$ 2,375,016

See independent auditors' report.

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City of Raton, New Mexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Fire Protection			Lodgers' Tax
	Fire Grants	Fund	Recreation Fund	
Revenues				
Taxes	\$ -	\$ -	\$ 134,977	\$ 442,233
Intergovernmental revenue:				
Federal operating grants	-	-	-	-
State operating grants	48,206	398,902	-	-
Federal capital grants	-	-	-	-
State capital grants	-	100,000	-	-
Charges for services	-	-	58,650	-
Licenses and fees	-	-	-	-
Investment income	-	12,587	112	2,218
Miscellaneous income	-	-	-	1,781
Total revenues	48,206	511,489	193,739	446,232
Expenditures				
Current:				
Public safety	116,513	193,903	-	-
Public works	-	-	-	-
Culture and recreation	-	-	301,518	142,335
Health and welfare	-	-	-	-
Capital outlay	39,921	118,364	-	-
Debt service:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	156,434	312,267	301,518	142,335
Excess (deficiency) of revenues over expenditures	(108,228)	199,222	(107,779)	303,897
Other financing sources (uses)				
Payment to refunded debt escrow agent	-	-	-	-
Transfers in	-	-	102,500	20,000
Transfers (out)	-	(77,989)	-	(269,519)
Total other financing sources (uses)	-	(77,989)	102,500	(249,519)
Net change in fund balances	(108,228)	121,233	(5,279)	54,378
Fund balances - beginning	228,224	155,638	17,276	124,312
Fund balances - end of year	\$ 119,996	\$ 276,871	\$ 11,997	\$ 178,690

See independent auditors' report.

Special Revenue					
Law Enforcement Fund		Emergency Medical Services	Local Government Corrections Library Building		
\$	-	\$	-	\$	-
	-		-		-
	26,000		21,307		-
	-		-		-
	-		-		-
	-		-		-
	278		577		5,870
	1,995		4,893		661
	<u>28,273</u>		<u>26,777</u>		<u>6,531</u>
	11,748		14,270		4,455
	-		-		-
	-		-		1,218
	-		-		-
	14,730		-		-
	-		-		-
	-		-		-
	<u>26,478</u>		<u>14,270</u>		<u>4,455</u>
	1,795		12,507		8,634
	-		-		-
	-		-		-
	(22,705)		-		-
	<u>(22,705)</u>		-		-
	(20,910)		12,507		8,634
	21,459		13,395		62,090
	<u>549</u>		<u>25,902</u>		<u>70,724</u>
\$	549	\$	25,902	\$	70,724
					275,979

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, 2019

	Special Revenue		
	Library Grant Fund	Environmental GRT	Police Money Seizures
Revenues			
Taxes	\$ -	\$ 67,465	\$ -
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	13,051	-	-
Federal capital grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	-	2,100	574
Miscellaneous income	-	-	-
Total revenues	13,051	69,565	574
Expenditures			
Current:			
Public safety	-	-	825
Public works	-	-	-
Culture and recreation	13,051	-	-
Health and welfare	-	31,268	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	13,051	31,268	825
Excess (deficiency) of revenues over expenditures	-	38,297	(251)
Other financing sources (uses)			
Payment to refunded debt escrow agent	-	-	-
Transfers in	-	-	-
Transfers (out)	(4,659)	(1,457)	-
Total other financing sources (uses)	(4,659)	(1,457)	-
Net change in fund balances	(4,659)	36,840	(251)
Fund balances - beginning	4,667	88,900	26,058
Fund balances - end of year	\$ 8	\$ 125,740	\$ 25,807

See independent auditors' report.

Special Revenue				Capital Projects	
Juvenile Justice Grant	ARRA OJP	ARRA CWSRF	Shuler LEDA	Lodgers' Tax 2% Capital	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160,249	31,635	-	-	-	-
-	12,099	-	-	-	-
-	-	-	-	-	-
-	-	-	2,964	-	-
-	-	-	-	-	-
-	-	-	284	6,291	-
-	-	-	1,018	1,000	-
160,249	43,734	-	4,266	7,291	-
160,249	53,619	-	-	-	-
-	-	-	-	-	-
-	-	-	-	172,133	-
-	-	-	-	-	-
-	-	-	-	-	-
160,249	53,619	-	-	172,133	-
-	(9,885)	-	4,266	(164,842)	-
-	-	-	-	-	-
7,365	9,885	-	-	269,519	-
(9,881)	-	-	-	(63,522)	-
(2,516)	9,885	-	-	205,997	-
(2,516)	-	-	4,266	41,155	-
9,881	-	-	10,228	223,176	-
\$ 7,365	\$ -	\$ -	\$ 14,494	\$ 264,331	

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, 2019

	Capital Projects		
	Street Improvement	Swim/Pool Recreation Center Fund	NMDOT
Revenues			
Taxes	\$ 246,301	\$ -	\$ -
Intergovernmental revenue:			
Federal operating grants	-	-	-
State operating grants	145,431	533,689	150,000
Federal capital grants	-	-	-
State capital grants	442,686	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	8,045	4,632	462
Miscellaneous income	-	-	-
Total revenues	842,463	538,321	150,462
Expenditures			
Current:			
Public safety	-	-	-
Public works	62,191	-	-
Culture and recreation	-	13,471	-
Health and welfare	-	-	-
Capital outlay	668,362	-	207,119
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	730,553	13,471	207,119
Excess (deficiency) of revenues over expenditures	111,910	524,850	(56,657)
Other financing sources (uses)			
Payment to refunded debt escrow agent	-	-	-
Transfers in	8,522	1,142	20,222
Transfers (out)	(20,222)	(525,826)	-
Total other financing sources (uses)	(11,700)	(524,684)	20,222
Net change in fund balances	100,210	166	(36,435)
Fund balances - beginning	437,338	230,161	36,435
Fund balances - end of year	\$ 537,548	\$ 230,327	\$ -

See independent auditors' report.

Capital Projects		Debt Service			
Depot					
Improvement Project	Filter Plant Project	NMFA Loan	Fire	Recreation Center	Aquatic Center
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,169	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1	431	1,369	5,988	3,776	
-	20	-	-	-	-
5,170	451	1,369	5,988	3,776	
-	-	-	-	-	-
-	-	-	-	-	-
7,111	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	75,946	114,191	216,286	
-	-	6,086	69,550	107,566	
7,111	-	82,032	183,741	323,852	
(1,941)	451	(80,663)	(177,753)	(320,076)	
-	-	-	(310,603)	(234,733)	
1,943	0	77,989	191,576	323,750	
-	-	-	(822)	(320)	
1,943	-	77,989	(119,849)	88,697	
2	451	(2,674)	(297,602)	(231,379)	
-	-	4,055	297,602	231,379	
\$ 2	\$ 451	\$ 1,381	\$ -	\$ -	

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, 2019

	Debt Service		Total Nonmajor Governmental Funds
	ARRA CWSRF	NMFA Loan Police Vehicles	
Revenues			
Taxes	\$ -	\$ -	\$ 890,976
Intergovernmental revenue:			
Federal operating grants	-	-	191,884
State operating grants	-	-	1,348,685
Federal capital grants	-	-	5,169
State capital grants	-	-	542,686
Charges for services	-	-	61,614
Licenses and fees	-	-	11,664
Investment income	-	322	57,342
Miscellaneous income	-	-	11,368
Total revenues	-	322	3,121,388
Expenditures			
Current:			
Public safety	-	-	555,582
Public works	-	-	62,191
Culture and recreation	-	-	650,837
Health and welfare	-	-	31,268
Capital outlay	-	-	1,048,496
Debt service:			
Principal	-	20,615	427,038
Interest and fees	-	95	183,297
Total expenditures	-	20,710	2,958,709
Excess (deficiency) of revenues over expenditures	-	(20,388)	162,679
Other financing sources (uses)			
Payment to refunded debt escrow agent	-	-	(545,336)
Transfers in	-	22,705	1,057,118
Transfers (out)	-	-	(996,922)
Total other financing sources (uses)	-	22,705	(485,140)
Net change in fund balances	-	2,317	(322,461)
Fund balances - beginning	-	-	2,492,940
Fund balances - end of year	\$ -	\$ 2,317	\$ 2,170,479

See independent auditors' report.

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Supporting Schedules

City of Raton, New Mexico
Schedule of Deposits and Investment Accounts
June 30, 2019

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
First National Bank of New Mexico					
General Fund	Checking	\$ 2,299,401	\$ 185,049	\$ (264,001)	\$ 2,220,449
Raton Municipal Court Court Fund	Checking	4,399	664	(154)	4,909
Raton Municipal Court Bond Fund	Checking	4,454	1,176	(5)	5,625
Special Revenue Funds	Checking	1,293,521	125,956	(218,158)	1,201,319
Pooled Capital Projects	Checking	327,308	33,178	(360,370)	116
GRT Swimming Pool/ Recreation Center Fund	Checking	138,677	-	-	138,677
Waterwaste TRMNT DS	Checking	243,888	-	-	243,888
Wastewater Treatment P&I Acct	Checking	478,589	-	-	478,589
Enterprise Fund/Solid Waste	Checking	624,242	132,296	(66,881)	689,657
Payroll Clearing	Checking	6,031	-	(4,550)	1,481
Pooled Trust & Agency	Checking	11,475	60	-	11,535
Landfill Trust & Agency	Checking	362,194	-	-	362,194
City of Raton Filter Plant Improvement	CD	451	-	-	451
CD-Library Building Fund	CD	80,000	-	-	80,000
CD-Library Building Fund	CD	149,700	-	-	149,700
RWW Operating	Checking	497,329	16,111	(418,714)	94,726
Water Capital Projects	Checking	172,844	15,588	(3,892)	184,540
SGRT	Checking	120,773	-	-	120,773
SGRT B&I	Checking	885	-	-	885
RWW GO Bond	Checking	417	-	-	417
RWW Customer Meter Deposits	Checking	65,206	3,100	(4,063)	64,243
SGRT B&I Reserve	Checking	1,029	-	-	1,029
CD-Raton Water Depart Capital Imprv	CD	518,672	-	-	518,672
CD-Raton Water Depart Capital Imprv	CD	653,950	-	-	653,950
Total First National Bank of New Mexico		\$ 8,055,435	\$ 513,178	\$ (1,340,788)	\$ 7,227,825
International Bank					
General Fund-Public Fund Regular	Checking	\$ 85,000	\$ -	\$ -	\$ 85,000
General Fund-Special Investment	Checking	452,411	-	-	452,411
Pooled Special Revenue	Checking	25,000	-	-	25,000
Special Revenue Funds	Checking	609,187	-	-	609,187
	Checking	-	-	-	-
Wastewater TRMNT DS	Checking	-	-	-	-
RWW- Operating	Checking	551	-	-	551
Certificate of Deposit	CD	868,650	-	-	868,650
Certificate of Deposit	CD	385,514	-	-	385,514
Certificate of Deposit	CD	159,058	-	-	159,058
Certificate of Deposit	CD	102,212	-	-	102,212
Total International Bank		\$ 2,687,583	\$ -	\$ -	\$ 2,687,583

See independent auditors' report.

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
New Mexico Finance Authority					
NMFA Fire Equipment	Trust	\$ 1,381	\$ -	\$ -	\$ 1,381
NMFA Police Vehicles	Trust	2,317	-	-	2,317
NMFA Aquatic Center	Trust	2,219	-	-	2,219
NMFA Aquatic Center - Reserve	Trust	290,297	-	-	290,297
NMFA Refunding	Trust	1,338	-	-	1,338
NMFA Solid Waste /Transfer Station					
Program Funds	Trust	551,197	-	-	551,197
NMFA Sanitation /Transfer Station - Reserve Funds	Trust	48,293	-	-	48,293
Total New Mexico Finance Authority		\$ 897,042	\$ -	\$ -	\$ 897,042
Total deposits*		\$11,640,060	\$ 513,178	\$ (1,340,788)	\$ 10,812,450
Add: petty cash					640
Total deposits					\$ 10,813,090
Deposits per financial statements:					
Cash and cash equivalents per Statement of Net Position					\$ 8,515,697
Investments per Statement of Net Position					229,700
Restricted cash and investments for:					
Debt service per Statement of Net Position					866,024
Closure and postclosure care					362,194
Investments per Statement of Net Position					716,585
Meter deposits per Statement of Net Position					100,868
Agency funds cash per Statement of Fiduciary Assets and Liabilities					22,022
Total deposits					\$ 10,813,090

*All deposit accounts are interest bearing

See independent auditors' report.

City of Raton, New Mexico
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2019

Name of Depository	Description of Pledged Collateral	Maturity	Account or CUSIP Number	Fair Market Value June 30, 2019	Name and Location of Safekeeper
First National Bank					
	FNMA Pool #MA0977	2/1/2032	3141BACP1	\$ 263,769	Federal Home Bank, Dallas, Texas
	FNMA Pool #AH3586	1/1/2041	313BA46Y6	282,995	Federal Home Bank, Dallas, Texas
	Line of Credit	8/12/2019	3577000325	4,500,000	Federal Home Bank, Dallas, Texas
Total First National Bank				5,046,764	
International Bank					
	FNMA Pool AN9616	6/1/2025	3138LNVJ7	3,443,324	Bankers Bank of the West, Denver, CO
Total International Bank				3,443,324	
Total pledged collateral				\$ 8,490,088	

See independent auditors' report.

City of Raton, New Mexico
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
Assets				
Cash and cash equivalents:				
Municipal Court	\$ 5,645	\$ 3,966	\$ 4,702	\$ 4,909
Municipal Fines	4,570	56,862	55,855	5,577
Correction Fees	-	5,390	5,390	-
Governmental GRT Fund	-	266,295	266,295	-
Fireworks	-	5,653	5,403	250
Charity Fund	8,169	5,486	2,669	10,986
RWW Gross Receipts	-	1,012,643	1,012,643	-
Coke Fund	248	52	-	300
Totals	\$ 18,632	\$ 1,356,347	\$ 1,352,957	\$ 22,022

Liabilities				
Due to others:				
Municipal Court	\$ 5,645	\$ 3,966	\$ 4,702	\$ 4,909
Municipal Fines	4,570	56,862	55,855	5,577
Correction Fees	-	5,390	5,390	-
Governmental GRT Fund	-	266,295	266,295	-
Fireworks	-	5,653	5,403	250
Charity Fund	8,169	5,486	2,669	10,986
RWW Gross Receipts	-	1,012,643	1,012,643	-
Coke Fund	248	52	-	300
Totals	\$ 18,632	\$ 1,356,347	\$ 1,352,957	\$ 22,022

See independent auditors' report.

City of Raton, New Mexico
Schedule of Legislative Grants
June 30, 2019

Project	Agency	Grant #	Effective Date	Reversion Date
Public Works Equipment	DFA	A18C2481	08/28/18	6/30/2020
Police Vehicles & Equip	DFA	A19D2962	05/10/19	6/30/2021
Public Works Equipment	DFA	A19D2963	05/10/19	6/30/2021
<hr/>				
Grand totals				

See independent auditors' report.

Original Amount	Arts in Public Places	Net Amount	Expenditures to Date	Remaining
\$ 175,000	\$ -	\$ 175,000	\$ 175,000	\$ -
50,000	-	50,000	-	50,000
200,000	-	200,000	-	200,000
\$ 425,000	\$ -	\$ 425,000	\$ 175,000	\$ 250,000

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

Brian S. Colón, Esq.
New Mexico State Auditor
The United States Office of Management and Budget and
City Commission
City of Raton
Raton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of City of Raton (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 NM 2017-001, NM 2019-001, NM 2019-002, NM 2019-003, CU NM 2019-001, and CU NM 2019-002.

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, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 16, 2019

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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

Brian S. Colón, Esq.
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 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 program for the year ended June 30, 2019. 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 the 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, 2019.

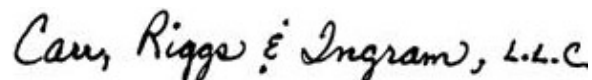
Report on Internal Control over Compliance

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 16, 2019

City of Raton, New Mexico
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Funding Source/Grant or Contact Name	CFDA Number	Grant/Pass-Through Number
U.S. Department of Homeland Security		
Direct funding		
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	DE-EM0004176
Total U.S. Department of Homeland Security		
U.S. Department of Transportation		
<i>Passed through the NM Department of Transportation</i>		
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	Q690 0000(002)/ 0001(004) & 92D0
Total Highway Planning and Construction Cluster		
Airport Improvement Program (*)	20.106	AIP 3-35-0033-017-2018
Total U.S. Department of Transportation		
U.S. Department of Agriculture		
Direct funding		
Water and Waste Disposal Systems for Rural	10.760	
Total U.S. Department of Agriculture		
U.S. Department of Justice		
Direct Funding		
Juvenile Accountability Block Grant	16.523	19-690-15189
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0134
Bulletproof Vest Partnership Program	16.607	19-AL-64-078 / 19-OP- RF-078 / 19-ST-RF-078
Total U.S. Department of Justice		
Total federal financial assistance		

(*) 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>
\$ 28,646	\$ -	\$ -
28,646	-	-
7,111	-	-
7,111		
1,067,957	-	-
1,075,068	-	-
646,871	-	-
646,871	-	-
160,248	-	-
31,635	-	-
6,001	-	-
197,884	-	-
\$ 1,948,469	\$ -	\$ -
1,948,469	-	-

*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, 2019

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, 2019.

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	\$ 1,948,469
Total expenditures funded by other sources	11,878,523
<hr/>	
Total expenditures	\$ 13,826,992
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See independent auditors' report.

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City of Raton, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

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? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | |
|---|-----------------------------|------------------------|--------|-----------------------------|--|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | |
| 2. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | No | | | | |
| 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)? | No | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA
Number</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">20.106</td> <td style="text-align: center;">Airport Improvement Program</td> </tr> </table> | <u>CFDA
Number</u> | <u>Federal Program</u> | 20.106 | Airport Improvement Program | |
| <u>CFDA
Number</u> | <u>Federal Program</u> | | | | |
| 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, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2017-001 – Stale Dated Checks – Other noncompliance (Repeated/Modified)

Condition: The City included a total of eleven old outstanding checks in two of its bank reconciliations as reconciling items with dates ranging from 2003 – 2014, totaling \$991.84. The total of stale dated checks increased by \$531 from the prior year. The City has implemented a process for identifying new stale dated check. However, the stale dated checks noted from the prior year have not yet been researched and resolved as of June 30, 2019.

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.

Views of Responsible Officials and Planned Corrective Action: The City of Raton has a current policy in place to notify vendors whose checks have not cleared within 90 days of issuance to verify if payment was received or if payment needs to be reissued to ensure that the status of the outstanding checks can be determined and resolved in a timely manner. The City Treasurer will complete the process of researching the remaining stale-dated checks prior to 2014 and will take the appropriate course of action following the State of NM Escheatment Laws. The City of Raton estimates that corrective action will occur by June 30, 2020.

City of Raton, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

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

NM 2019-001 — Internal Controls over the Payroll Process – Other matter

Condition: The following items exist with respect to the City’s payroll process:

- For one (1) out of forty (40) employees tested, the employee’s personnel action form was not signed by the City Manager.
- For two (2) out of six (6) payroll periods tested, we noted that the direct deposits associated with the payroll periods were not reviewed and approved.
- We noted that the PERA and RHC remittances to the state-wide plans are not required to be reviewed to ensure the accuracy of contributions reported.

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the City to implement and follow sound accounting and internal control policies and procedures. Proper internal controls include adequate segregation of duties and review by someone independent of the performance task.

Additionally, the City’s accepted internal control practices required that employee personnel action forms be reviewed and signed by the City Manager. They also require that direct deposits associated with each pay period be reviewed and approved by the City Clerk/Treasurer.

Effect: The City could fail to identify any unusual or unexpected items within the direct deposits, timesheets, personnel action forms, and PERA and RHC remittances.

Cause: The City’s process was not designed to include review and authorization in the areas noted above.

Auditors’ Recommendations: The City should design and implement a system of internal controls over the payroll process which would include: a review and authorization process for new hires, timesheets, direct deposits, and PERA and RHC remittances.

Views of Responsible Officials and Planned Corrective Action: The City Treasurer and the HR Director will review and revise the existing payroll process and develop additional internal controls that include adequate segregation of duties that ensure the process for new hires, timesheets, direct deposits and PERA and RHC remittances are reviewed by a City staff person that is independent of the payroll process. The City of Raton estimates that corrective action will occur by June 30, 2020.

City of Raton, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

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

NM 2019-002 – Procurement Code – Other noncompliance

Condition: The City did not provide a written notice to the awarded bidder for an RFP.

Criteria: NMAC 1.4.1.24 states that a contract solicited by competitive sealed bids shall be awarded with reasonable promptness by written notice to the lowest responsible bidder.

Effect: The City failed to notify the awarded bidder in a timely manner by written notification.

Cause: The City held a public meeting and announced the awarded bidder. However, a written awarded letter was not provided to the winning bidder.

Auditor's Recommendation: The City revise its process to ensure that the awarded bidder is notified with a written notification in a timely manner.

Views of Responsible Officials and Planned Corrective Action: The City of Raton notified the winning bidder verbally and a contract was executed by both parties, however, the City Treasurer/Chief Procurement Officer acknowledges that they failed to provide the required written notice to the low bidder after the City Commission approved the award. As a result, the City Treasurer/Chief Procurement Officer will develop a checklist to be used for administration of all bids and requests for proposal to ensure that no steps of the procurement process are overlooked. The City of Raton estimated that the correction action will occur by June 30, 2020.

NM 2019-003 – Internal Controls Water Department Inventory - Other matter

Condition: During inventory observation, we noted that 3 items were missing from the inventory sheet to the actual inventory on the floor. One of the item was location, however the item did not have the same measurements as the one listed on the sheet. Two of the items were not located.

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 Company does not have written procedures over the inventory counts and maintenance of the inventory listing.

City of Raton, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

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

NM 2019-003 – Deficiencies in Internal Controls Water Department (Other Matter)(continued)

Auditors' Recommendations: The Company should implement a written 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.

Views of Responsible Officials and Planned Corrective Action: The C&M Foreman and Finance Manager will work internally throughout the remainder of the fiscal year to improve the Inventory Policy in effect since January 2019, update the inventory to remove obsolete items, and update category descriptions as needed.

SECTION V – COMPONENT UNIT FINDINGS

CU NM 2019-001 – Board Certification of Capital Asset Inventory- Raton Public Service (Other noncompliance)

Condition: The Company's Board did not certify the yearend capital asset inventory count as required by New Mexico State Statue.

Criteria: Section 12-6-10 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

Effect: The Company was out of compliance.

Cause: The Company was not aware of this requirement.

Auditors' Recommendations: The Company should adjust its yearend capital assets control process to ensure that the Board certifies the results of the yearend inventory count.

Views of Responsible Officials and Planned Corrective Action: The RPS General Manager will ensure that a complete capital asset inventory list at fiscal yearend will be presented to the RPS Board of Directors for review and certification. This review/certification will be added as an action item to the agenda of the first regular scheduled meeting of the RPS Board after fiscal year end.

City of Raton, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION V – COMPONENT UNIT FINDINGS (continued)

CU NM 2019-002 — Travel and Per Diem- Raton Public Service (Other noncompliance)

Condition: For one of five travel and per diem transactions reviewed, it was noted that one transaction for an actual reimbursement was not approved by the Board prior to overnight lodging.

Criteria: The Per Diem and Mileage Act, Section 2.42.2.9 B (1), “Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.”

Effect: The Company did not approve overnight lodging for actual reimbursement that exceeds \$215.00.

Cause: The Company was unaware that amounts exceeding \$215.00 needed to have Board approval prior to traveling.

Auditors’ Recommendations: We recommend that the Company revise its travel policy to ensure that all reimbursements are in compliance with State Statues.

Views of Responsible Officials and Planned Corrective Action: A Resolution for Travel Authorization was passed by the RPS Board prior to travel but said resolution did not state that the lodging expenses would exceed the \$215.00 per night as stipulated in The Per Diem and Mileage Act. Effective immediately, the General Manager and Office Manager will verify that if lodging expenses are expected to exceed the stated dollar allowances per The Per Diem and Mileage Act, management will seek approval of expenses by the RPS Board prior to travel.

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)

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

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

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

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

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

EXIT CONFERENCE

An exit conference was held on December 13, 2019. In attendance were the following:

Representing City of Raton and Raton Public Service Company:

Linde' Schuster	Mayor Pro-Tem
Scott Berry	City Manager
Michael Anne Antonucci	City Clerk/Treasurer
Terry Sykes	Raton Water Works, Director
Geneva Trujillo	Raton Water Works, Office Manager
Allen Litchfield	Raton Water Works, Board Chairman
Kathy McQueary	Raton Public Service, Board Chair
Sandy Chavez	Raton Public Service, General Manager
Jessica Gonzales	Raton Public Service, Office Manager

Representing Carr, Riggs & Ingram, LLC:

Alan D. "A.J." Bowers, Jr., CPA, CITP Partner

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.